

sales tax on over 100 categories. Pennsylvania has over 55; Virginia about 18 or 19. Washington D.C. taxes over 70 categories. “Some states even tax attorneys and tax accountants – and there’s still lawyers and accountants in those states,” he smiled. “This whole issue is a fair discussion and a public policy question,” he stated.

Alex Hughes, an aide to Michael Busch, the Speaker of Maryland’s House of Delegates, noted: “Next year we’ll have to have an extensive revenue package. HB 448 was a comprehensive way to raise revenue to balance the budget. Delegates tend to introduce bills like HB 448 at the beginning of the term, so people can understand the issues and have a discussion of the issues the State is facing.”

If you want to look good, feel fit and energized, have a nice-looking car, continue wearing your old shoes or get a photo taken, Maryland wants more money from you. Services provided by lobbyists, lawyers, architects, banks, the construction industry, doctors or dentists are not mentioned.

According to an analysis prepared by Maryland’s Department of Legislative Services in support of HB 448, “Over the past few decades, the growth in sales and use tax revenues has not kept pace with the growth in personal income, as the tax base has eroded due to several factors. One major contributing factor cited for the erosion of the sales tax base is a major shift that has occurred in the national economy from consumption of goods, the traditional base of the tax, to consumption on services.”

It goes on to suggest that implementing HB 448 would raise \$664.3 million by 2009, the first full year of application. Further on in the report, it states the tax just might have an adverse impact: “...increasing the number of services subject to the sale tax in Maryland may result in a decline in consumer purchases of these services from State providers. To the extent possible, residents may purchase more services in neighboring states where these services are not taxed (or are taxed at a lower tax rate) or may choose not to purchase these services at all. While the percentage will vary from service to service, it is likely that many of the service providers in each of the service categories are small businesses.” The

Fiscal Summary notes that the effect on small business would be “meaningful.”

The legislature has been considering taxing services since 2001. Bills similar to HB 448 were introduced in 2001 (HB 1337) and 2004 (HB 1364). Like HB 448, neither was reported out of the House Ways and Means Committee.

Maryland balanced its budget for the 2008 fiscal year. Doing so, tapped out reserve funds and cash balances. In the next fiscal year, Maryland can expect a \$1.5 billion shortfall for services it currently provides or will be expected to provide, by law, by 2009. Like many states, Maryland is seeking what appears to be an easy way to solve its financial straits – taxing small, independent businesses.

The Mid-Atlantic Carwash Association presented testimony before the Maryland’s House Ways and Means Committee on March 14, 2007. The association was represented by President Scott Eichlin, owner of Miracle Car Wash, Vice President David DuGoff, owner of College Park Car Wash, Treasurer Bob Heid, owner of Annapolis Auto Spa, and Past President Benson Rice, owner of Whiz Car Wash.

MCA represents over 120 carwash operators and distributors in the Mid-Atlantic region, many in Maryland. There are approximately 250 self-serve and in-bay automatic carwashes and an additional 200 tunnel carwashes in the state of Maryland. They argued that a sales tax is unfair to carwash operators and that increasing the cost to the consumer will hurt their business.

As a possible summer session looms, MCA has hired Frank Boston, a lobbyist to represent their interests and plan to aggressively pursue eliminating carwashes from the list of taxed services.

There are four basic arguments that MCA will present. First, taxing carwashing is bad for the environment. Increasing the customer’s cost of using a professional carwash encourages driveway washing. The waste water from the driveway flows into the storm sewer and goes into the creeks, rivers and the Chesapeake Bay untreated. Professional carwashes treat the effluent on-site before discharging into the sanitary sewer system which is treated before final discharge. A recent study sponsored by Brown Bear Carwash* in Seattle proves that untreated charity carwash waste water kills fish. MCA is



David A. DuGoff was elected president of the Mid-Atlantic Carwash Association in May of 2007.

seeking support from the environmental community including the Chesapeake Bay Foundation, Audubon Naturalist Society and others that MCA has supported in past legislation.

Second, a sales tax on carwashes is unfair. A carwash is always a discretionary and price sensitive purchase. Increasing the cost for the consumer is going to hurt business. Whether the tax is reflected in a tax at the cash register or hidden in a price increase at the coin slot it is going to cost the consumer more. Legislators fail to appreciate how seldom the price of a carwash increases and why that is so.

Third, the tax is an unfair burden on an industry reeling from a bad year in 2006 caused by weather and \$3 a gallon gasoline. Carwash operators may not be able to increase the retail price, and may be forced to absorb the tax to maintain their market and car counts. At this writing, it appears that \$4 a gallon gasoline is nearly at hand.

Fourth, hurting the carwash industry hurts people. The industry employs people who rely on that paycheck. Why should they have to suffer?

* “Practical” Fish Toxicity Report, Environmental Partners, Inc., March 22, 2007, prepared for Car Wash Enterprises, Seattle Washington, available on the ICA’s website, featured in INSIGHT, April 20, 2007, <http://www.carcarecentral.com>, See also Water Effluent and Solid Waste Characteristics in the Professional Car Wash Industry, International Carwash Association, December 2002.