

April 13, 2020

The Honorable Larry Hogan  
Governor  
100 State Circle  
Annapolis, Maryland 21301

Dear Governor Hogan:

On behalf of the undersigned organizations, representing a diverse coalition of taxpayer and consumer advocacy groups, we write to express our strong opposition to legislation recently passed by the General Assembly. This proposal, House Bill 732 contains a slew of provisions that will result in higher taxes paid by small businesses and consumers across the state. We hope you will stand with Maryland taxpayers by vetoing this misguided legislation.

As you are fully aware, HB 732 imposes a new tax on digital advertising revenues of companies, with tax rates reaching as high as 10 percent of gross advertising revenues. The purpose of this potentially unconstitutional scheme is to tax large digital advertising companies, but the true burden will ultimately fall on Maryland-based small businesses and consumers. Advertisers will inevitably raise the price of advertisements, which means Maryland businesses will choose to no longer advertise and risk losing new customers, or pay the higher cost. If the latter occurs, the retailer will likely pass the added cost onto their consumers through higher prices. Additionally, these higher costs could force Maryland employers to consider passing the tax to their employees in the form of fewer job opportunities, or by limiting hours, benefits, or wages.

HB 732 would also nearly double Maryland's cigarette tax from \$2 per pack to \$3.75 per pack, and significantly increase the tax rate on other tobacco products. For a pack-a-day user, they will need to pay an additional \$639 annually to cover this added tax burden. Additionally, subjecting vapor and e-cigarettes to the same state regulation and tax treatment would be an ill-advised approach to addressing public health concerns for tobacco users as they reduce the harm associated. In fact, according to government studies, vapor products can reduce the harm associated with smoking by as much as 95 percent, and can be as much as twice as effective as gum or patches to help users quit.

Based on these concerns, along with your commitment to lessening tax burdens, we hope you swiftly veto HB 732. We appreciate your consideration of these views and look forward to working with you in other ways to improve Maryland's economic and fiscal prospects.

Sincerely,



National Taxpayers Union



60 Plus Association



ALEC Action



Americans for Tax Reform



Center for a Free Economy



Center for Freedom and Prosperity



Center for Individual Freedom



Competitive Enterprise Institute



Consumer Action for a Strong Economy



Council for Citizens Against Government Waste



FreedomWorks



Taxpayers Protection Alliance