



American Rental Association

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Testimony before the House Ways and Means Committee
Briefing on HB 795
January 18, 2022

Dear Chair Atterbeary and Members of the House Ways and Means Committee:

Thank you for the opportunity to testify before you regarding HB 795. My name is John McClelland, and I am the vice president for government affairs and chief economist at the American Rental Association (ARA).

On behalf of all ARA members in Maryland, I am here today to speak in favor of HB 795.

The bill amends previous legislation passed in 2010. Since that time, state and local governments have increased their use of rental as a procurement method for equipment. Many procurement professionals have questioned why they were subject to the rental gross receipts tax since they are exempt from sales and other taxes given their status as government entities. We do not disagree with the premise. Our only concern is that if we amend language to add the exemption for government agencies, we also need to repeal or remove the true-up provision currently in statute, so the rental businesses are not having to pay the tax on their behalf.

We believe that making these changes will remove a significant administrative burden for everyone. Because the current true-up process is not a guaranteed revenue source for local governments, we believe the fiscal impact would be marginal because the revenues raised by the tax are received by the entities that would be exempt from paying the tax if the provisions of HB 795 are implemented.

The American Rental Association has worked in several other states to pass similar measures and all of them grant governments and government agencies exemptions from the tax and none of them today have any true-up process in place.

We urge your support in passing this important piece of legislation and I am available to answer any questions.

Respectively Submitted:

A handwritten signature in black ink that reads "John W. McClelland". The signature is written in a cursive, flowing style.

John W. McClelland Ph.D.

