



House Bill 1215
Transportation Financing - Retail Delivery Fee and Transportation Network Company Impact Fee

March 1, 2024

Position: **OPPOSE**

Mr. Chairman and Members of the Environment and Transportation Committee:

The *Restaurant Association of Maryland* opposes HB 1215, which would impose a new retail delivery and transportation network fee similar to sales and use tax. We are concerned about the potential negative impact on restaurant delivery, which has become a significant portion of restaurant sales since the COVID pandemic.

The restaurant/foodservice industry continues to struggle to recover from the pandemic amid inflation, increased operating and labor costs, and reduced customer traffic as many office employees continue to work remotely. Soaring costs have forced many of our restaurant operators to increase menu prices to maintain profitability. These necessary price increases have also contributed to a decrease in customer traffic for many restaurants. Proposals that increase taxes and fees on restaurant delivery will only exacerbate the challenges for our industry.

For restaurants that work with third-party delivery partners, the additional fee/tax imposed by this bill will increase the cost of restaurant delivery meals for customers who use these platforms. For restaurants located in less-populated areas of the state where third-party delivery may not be available, the proposed fee/tax would apply to restaurants that provide local delivery service to customers.

The proposed fee/tax will disproportionately impact small businesses, most of which have annual retail sales revenue that exceeds the low \$500,000 exemption threshold in this legislation. From what we understand, only Colorado and Minnesota have enacted similar laws and small businesses there are struggling to comply and explain it to their customers.

Because this proposed fee/tax is in addition to sales tax, it is regressive because it will increase meal delivery costs for customers with lower and fixed incomes who patronize affordable restaurants in their communities.

This proposal is poor public policy that puts our small businesses in a difficult position of explaining why customers must pay more for delivery that uses the same roads that customers would travel if they were able to dine in or pick up their food. In this case, the rationale for the bill makes no sense.

For these reasons, we strongly oppose this legislation and request an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Melvin R. Thompson". The signature is written in a cursive style and is followed by a long horizontal line.

Melvin R. Thompson
Senior Vice President