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November 9, 2010

The Honorable Raymond S. Wacks, Chairman, and Members
Maryland Business Tax Reform Commission
Louis L. Goldstein Treasury Building
80 Calvert Street, P.O. Box 466
Annapolis, Maryland 21404-0466

Re: Broadening the Sales Tax Base

Dear Chairman Wacks and Members of the Commission:

The Mid-Atlantic Carwash Association was founded in 1997 and represents over 100 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. We are very grateful for the opportunity to talk with you about the impact of a sales tax on carwashing.

Broadening the sales tax base to include services, especially car wash services, would have unintended and unfair consequences. First, there would be a negative impact on the environment. Second, due to the nature of the carwash industry, most customers would not be aware that a sales tax is part of the price paid. A carwash is always a discretionary and price sensitive purchase. The customer has two alternatives to using a professional carwash – defer it to another time or wash in the driveway at home. It is wrong to assume that customers will just pay the increase cost.

Increasing the cost of using a professional carwash encourages homewashing, which is bad for the environment. Waste water from the home driveway flows untreated into the storm sewer which empties into the creeks, rivers and the Chesapeake Bay. Professional carwashes treat the effluent on-site before discharging it into the sanitary sewer system which treats it again before final discharge. A 2007 Seattle study proves that untreated charity carwash waste water kills fish. [www.carwash.org/SiteCollection Documents /Fish%20Toxicity.pdf](http://www.carwash.org/SiteCollection/ Documents /Fish%20Toxicity.pdf).

Taxing carwashing is unfair to operators for two reasons. First, increasing the customer's cost will hurt business. Second, more than half of the carwashes operating in the state do not have a cashier. The customer inserts coins, bills or a credit card into a machine that triggers the wash equipment. This equipment is not capable of asking for 6% more than the posted price. Thus, the tax would have to be built into the price which is fixed at quarter or dollar increments. The operator would therefore need to absorb the tax, or increase the price to the next higher increment. It fails to follow the AICPA principle, "*Transparency and Visibility*". Taxpayers should know that a tax exists and how and when it is imposed upon them and others.*

Again, thank you for the opportunity to present our concerns.

Sincerely,

David DuGoff, Vice President
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* Guiding Principles of Good Tax Policy: A Framework for Evaluating Tax Proposals, AICPA, 2001.