



Past attempts to expand sales tax to services have failed.

Although many states tax a few select services, there is no trend of states successfully and broadly expanding their sales tax base to include professional services. Even at the height of the recession, most states looking at a sales tax on professional services rejected the idea as inherently unworkable. Over the past few years, many states have introduced legislation containing language that would impose tax on services, but none of the bills have succeed in expanding the tax base to a broad number of professional services. Below are the most notable examples of failed attempts to enact a tax on services, where states repealed them shortly after enactment or moved away from them after public outcry.



Maryland

In 2020, the Maryland House Majority Leader introduced legislation to expand the sales tax to nearly all professional services. Strong opposition from the entire business community and the Governor led to the bill being unanimously voted “unfavorably” out of committee.



Utah

Two weeks prior to session ending in 2019, Utah lawmakers fast tracked legislation that would have overhauled the state’s tax system by expanding the sales tax to include essentially all professional services. In a 12-2 vote, the House Revenue and Taxation Committee approved the measure despite questions from lawmakers and public opposition. The House eventually killed the proposal and shifted to studying tax reform in the interim.



Minnesota

In 2014, Minnesota enacted a tax on warehouse and storage services. Following enactment, there was an outcry that the tax would negatively impact the state economy and harm jobs and investment within Minnesota. It was repealed prior to its effective date.



Massachusetts

In 2013, Massachusetts approved an expansion of the definition of services to include computer software and design services, which faced immediate backlash. Two months later, the Governor signed legislation repealing it. Back in 1990, the state passed a tax on services provided to businesses. It was repealed two days after it took effect.



Michigan

Michigan enacted a broad tax on services in 2007 and a taxpayer coalition was quickly formed to repeal it. The group was worried that it would negatively affect jobs. The tax was repealed 17 hours after it became effective.



Florida

In 1987, Florida passed a broad sales tax on services. Six months later, lawmakers repealed it because it put in-state businesses at a competitive disadvantage to out-of-state counterparts.

No major industrial state levies a sales tax on professional services. Only three states tax services broadly (Hawaii, New Mexico, and South Dakota), but all three of these are low population states with unique tax systems and state economies. Each of them has a population of two million or less, and each have a unique revenue system. For example, South Dakota goes without an income tax, depending much more heavily on sales tax, and Hawaii is geographically isolated, leading to less interstate competition.