



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. In 2016, 18 states saw 29 bills containing tax on services language introduced in their respective legislatures but none of the bills were successfully enacted. There have been multiple failed attempts in recent memory of states enacting a tax on services and repealing it shortly thereafter.



Minnesota

Minnesota enacted a tax on warehouse and storage services in 2014. Following the tax's passage, there was a large 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 It was repealed prior to its effective date.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 It was repealed two days after it took effect.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 The tax was repealed 17 hours after it became effective.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 Six months later, lawmakers repealed it because it put in-state businesses at a competitive disadvantage to out-of-state counterparts.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 has different revenue resources driving their tax systems. For example, South Dakota does without income taxes, depending much more heavily on sales tax, and Hawaii is geographically isolated, leading to less interstate competition.