

I am submitting this written testimony to **STRONGLY OPPOSE** House Bill 1515. It is crucial to address the potential negative impacts that this bill would have on small businesses in Maryland, as noted in the fiscal note, which reads:

Small Business Effect: As discussed above, expanding the number of services subject to the sales tax may result in a decline in consumer purchases of these services in the State. To the extent possible, residents may purchase services in neighboring states where these services are not taxed (or are taxed at a lower tax rate) or may choose not to purchase these services at all. The extent to which this may occur cannot be reliably estimated, but a majority of Maryland residents live within a short distance to a neighboring state and, therefore, could have access to service providers located in other states. While the percentage will vary from service to service, it is likely that many of the service providers in each of the service categories are small businesses.

The expansion of the sales tax to include more services, as outlined in the bill, may lead to a decrease in consumer purchases within the state. Small businesses, which represent a significant portion of service providers affected by this bill, are likely to suffer as consumers might opt to seek services in neighboring states where such services are not taxed or are taxed at a lower rate. Given the proximity of a majority of Maryland residents to bordering states, the likelihood of cross-border service shopping could significantly harm local small businesses.

This concern is magnified by the current economic challenges faced by small businesses, many of which are still recovering from recent economic downturns. Increasing the tax burden on these businesses could stifle growth, discourage entrepreneurship, and potentially lead to job losses within the state. Additionally, the fiscal note's admission that the extent of the negative impact cannot be reliably estimated suggests a level of uncertainty that warrants caution. Imposing additional taxes without a clear understanding of the potential consequences could result in unintended and potentially irreversible damage to Maryland's small business ecosystem.

Thus, it is imperative to reconsider the approach taken by HB 1515 to ensure that Maryland's economic recovery and growth are not compromised. An inclusive dialogue with stakeholders, particularly small business owners, could provide valuable insights into more equitable and sustainable tax reforms that support both the state's revenue needs and the vitality of its small business community.

According to a recent survey by Slack and reported by *Entrepreneur*, a substantial portion of small business owners are uncertain about their future, with 32% doubting their ability to survive the year and 38% expressing increased worry over their business' prospects compared to the beginning of 2023. These anxieties are attributed to a challenging job market, rising inflation and lingering pandemic effects.

Imposing additional taxes on services could exacerbate the challenges small businesses are already facing. At a time when small business owners are grappling with economic uncertainties, increased taxation could deter consumer spending, especially when services can be sourced from neighboring states with lower or no taxes. This legislative proposal, therefore, risks undermining the fragile optimism and resilience displayed by small business owners, potentially accelerating the decline of those already on the brink of closure. Given these considerations, a more cautious and

inclusive approach to tax reforms is essential to support the survival and growth of small businesses in Maryland.

As a small business owner who works every day with numerous other small businesses across Maryland, I am deeply concerned about the repercussions of House Bill 1515. This legislation directly threatens the viability and competitive edge of local businesses, including mine. Imposing additional financial burdens could not only stifle our growth but also push consumers to seek services in neighboring states, further straining our operations. I strongly urge lawmakers to consider the detrimental impact this bill would have on the small business community and to vote against it, prioritizing measures that support, rather than undermine, our collective recovery and growth.

Respectfully submitted,

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