



March 12, 2025

Legislative Position: Unfavorable
Senate Bill 1045
Sales and Use Tax - Taxable Business Services - Alterations
Senate Budget and Taxation Committee

Dear Chairman Guzzone and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county’s business community.

The Howard County Chamber of Commerce strongly opposes SB 1045. We are deeply concerned about its negative impact on our local businesses—especially small businesses—as well as the unintended consequences of tax pyramiding and the broader economic harm it would cause.

Negative Impacts on Small Businesses

Small businesses are the backbone of our economy, providing jobs, fostering innovation, and contributing significantly to our communities. SB 1045 would impose an undue financial burden on small businesses by introducing new tax obligations that many simply cannot afford. Unlike larger corporations with dedicated legal and financial teams to navigate increased tax complexities, small businesses operate on much tighter margins and lack the resources to absorb these additional costs. The increased tax liability will force many small businesses to reduce investments.

Tax Pyramiding Concerns

SB 1045 would create a cascading tax effect, commonly known as tax pyramiding. This occurs when a tax is applied at multiple levels of the supply chain, causing costs to compound as goods and services move through production. Ultimately, these increased costs are passed down to consumers, making everyday goods and services more expensive. Maryland businesses already operate in a competitive regional economy, and this additional tax burden would put them at a significant disadvantage, driving up costs and potentially forcing businesses to relocate to more tax-friendly jurisdictions.

Economic Consequences

At a time when Maryland businesses are still recovering from economic disruptions and ongoing inflationary pressures, SB 1045 would deliver a devastating blow to our state’s economy. Increased



operational costs and reduced business investments would lead to slower job growth, wage stagnation, and a decline in Maryland's overall business climate. Rather than fostering economic expansion, this legislation risks discouraging entrepreneurship and investment, making Maryland less attractive to new businesses looking to establish themselves here.

Conclusion

For these reasons, the Howard County Chamber of Commerce strongly urges the Committee to **reject SB 1045**. This bill would have far-reaching negative consequences for small businesses, exacerbate tax pyramiding, and hinder economic progress. We encourage lawmakers to explore alternative policies that support—not hinder—Maryland's businesses and economic competitiveness.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce