



*The Voice of Merit Construction*

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TO: BUDGET AND TAXATION COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTORS

RE: S.B. 1045 – SALES AND USE TAX – TAXABLE BUSINESS SERVICES - ALTERATIONS

POSITION: OPPOSE

The Associated Builders and Contractors (ABC) opposes S.B. 1045 which is before you today for consideration. This bill proposes significant alterations to the Maryland sales and use tax, particularly as it pertains to the construction industry.

This bill, which seeks to expand the definition of "taxable service" to include a wide range of business services, including those integral to construction activities, will impose a substantial and detrimental burden on our industry and the Maryland economy.

Specifically, we are deeply concerned about the following aspects of S.B. 1045:

- Increased costs and economic impact;
- complexity and administrative burden;
- impact on small construction businesses and;
- tax on labor.

The imposition of sales tax on labor and services, as outlined in the bill, will significantly increase the cost of construction projects. This added expense will be passed on to consumers, businesses, and government entities, potentially stifling development and investment in Maryland.

This increased cost will make Maryland less competitive compared to neighboring states that do not impose such taxes on construction services.

S.B.1045 reliance on the North American Industry Classification System (NAICS) codes to define taxable services will create significant confusion and administrative burdens for construction businesses.

Determining which services fall under the expanded definition of "taxable service" will require extensive record-keeping and compliance efforts, adding to the already complex regulatory environment in the construction sector.

Small construction businesses, which form a significant portion of the industry, will be disproportionately affected by the increased compliance costs and tax burden. These businesses often operate on thin margins and may struggle to absorb the additional expenses, potentially leading to job losses and business closures.

The taxing of labor is a very concerning precedent, and will drastically affect the cost of construction, and home ownership in Maryland.

The construction industry plays a vital role in Maryland's economy, contributing to job creation, infrastructure development, and overall economic growth. S.B. 1045 threatens to undermine these contributions by imposing a costly and burdensome tax on essential construction services.

On behalf of the over 1,500 ABC members in Maryland, we urge this committee to reject S.B. 1045 and consider the negative consequences it will have on the construction industry and the state's economy.

Marcus Jackson, Director of  
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