

The Honorable Guy Guzzone

Chair, Senate Budget and Taxation Committee

Miller Senate Office Building, 3 West

11 Bladen Street

Annapolis, MD 21401

RE: OPPOSITION to Senate Bill 1045 - Sales and Use Tax – Taxable Business Services – Alterations

Dear Chair Guzzone and Committee Members:

I am writing to express my strong opposition to Senate Bill 1045 as a small business Bookkeeping and Accounting firm owner and member of the Maryland Society of Accounting and Tax Professionals (MSATP). My practice is based in Hanover, MD where I have been serving Maryland taxpayers and businesses for almost two years.

This legislation, which would impose a 2.5% sales tax on accounting, tax preparation, payroll, and bookkeeping services provided to business entities, would have severe negative consequences for both my practice and the Maryland small businesses I serve. As a growing practice, I consistently reach out to local small businesses and engage in my community. I agree with and stand with the Moore-Miller Administration's commitment to reducing barriers to doing business in Maryland.

The impact on my practice would be immediate and substantial. As a new small business and solo practitioner, I operate with limited resources and tight margins. Implementing this divert my time and attention from providing timely, ongoing client service and engaging in my community to calculating new rates and educating clients on the implementation of the new law, a substantial burden for a small professional practice like mine. Additionally, my work is performed virtually. This would push local business owners to engage with accountants and bookkeepers in other states where this service tax is nonexistent.

More concerning is how this tax would affect my clients. For example, a family-owned retail business in our county that employs 2 people spends \$6,000 annually on accounting and tax services. This bill would impose an additional \$150 tax on these essential services. For small businesses already operating on thin margins, these increased costs could lead to difficult decisions about reducing their use of professional services.

I find it particularly troubling that while accounting services would be subject to this new tax, legal services are conspicuously excluded. This creates an unfair competitive disadvantage where approximately 188,917 accounting businesses would be taxed, while

359,026 legal service businesses would remain exempt. This selective application raises serious questions about equity and fairness in our tax system.

From my professional experience helping businesses maintain tax compliance, I can tell you with certainty that this legislation would have unintended consequences. Some of my clients would inevitably reduce their use of professional accounting services, potentially leading to errors in tax filings, missed deductions, and even unintentional non-compliance – outcomes that benefit neither the businesses nor the state.

As someone dedicated to helping Maryland businesses navigate complex tax regulations, I ask you to consider the real impact this legislation would have on small accounting practices and the businesses we serve. I respectfully urge you to issue an unfavorable report on House Bill 1554.

Thank you for your consideration.

Sincerely,

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MSATP Member