

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: OPPOSED

Dear Chair Guzzone and Members of the Committee:

As Founder and Owner of Real Projectives®, a 20-person consulting business, based in Laurel, Prince George's County and serving clients throughout the U.S, I write to express serious concern and strong opposition to Senate Bill 1045. This bill would unfairly expand Maryland's sales and use tax to include a new 2.5% tax on select and essential business-to-business (B2B) services.

While we understand Maryland faces tough budget challenges, implementing a B2B service tax would likely result in significant short- and long-term problems for business operations, competitiveness, and Maryland's broader economy.

I'd like to explain three specific reasons why this legislation would harm my and other Maryland-based businesses:

Higher Taxes Means Less Spending and Hiring

Businesses of all sizes rely smartly and heavily on outsourced specialty and professional services for payroll, bookkeeping, accounting (and tax prep), technology support, marketing, office administration, and other essential functions. This tax would abruptly add unbudgeted annual costs for businesses like ours that are already struggling with labor shortages and multiple economic pressures. We would not likely be able to absorb thousands of dollars of additional costs without cutting other expenses, pulling back on our hiring plans, and reducing key investments in planned growth. And less payroll for employees and business owners will mean less money spent in the local economy.

Administrative Burden and Compliance Costs

Beyond the direct cost of the taxes, this legislation would create significant administrative burdens for businesses to invoice, track, collect, and remit this new tax. For many small businesses like ours, this would mean additional accounting costs (taxed again), added costs for upgrading or replacing software, and likely dozens of unproductive hours spent to address compliance rather than on serving our clients and growing our business.

Competitive Disadvantage in the Region and U.S.

Additionally, the new tax would make Maryland an outlier among many states. Real Projectives provides consulting services to clients and projects nationwide. We would be forced to charge this "new" tax to several of our clients, thereby effectively increasing our prices in the middle of a year by 2.5% on top of the already tough task of adjusting prices 2-4% annually to keep up with ongoing labor shortages! Compounded, this new tax would make us oddly uncompetitive and could lead our clients to choose a non-Maryland competitor.

Reject SB 1045

While we encourage Maryland's fiscal stability and appreciate that tough budget choices need to be made, adding taxes on small business will not be an effective way to improve our economic and fiscal situations.

On the contrary, passing better legislation that supports a thriving business community would naturally generate increased tax revenues through job creation and broader economic activity throughout our great state of Maryland.

As a proud resident and small business owner, I urge you and members of the General Assembly to carefully and comprehensively evaluate the significant implications of this legislation. Please REJECT SB 1045.

Sincerely,

Jonathan Williams

Founder & Owner
Real Projectives, LLC