



Maryland Arborist Association, Inc.

Danielle Bauer Farace
Executive Director

SB1045 – Sales and Use Tax - Taxable Business Services - Alterations

Committee: Budget and Taxation
MAA Position: **OPPOSED**

Date: March 10, 2025

The Maryland Arborist Association, Inc. (MAA) works to promote the importance of proper tree care, education in the field of arboriculture, and support the accomplishments of arborists. We are writing to express the concern that we share with our member companies about the proposed service taxes included in SB 1045, especially as most of these companies are small and minority-owned businesses.

First and foremost is the **unarguable administrative burden** that this legislation will place on our member companies. Arborist services are included under NAICS code 5617, which the bill states is a taxable service. Tree care companies do not currently charge, track, or remit service tax, and establishing a system to do so for commercial vs residential accounts will be exceptionally arduous. **The July 1, 2025 effective date is simply unattainable** to establish the processes to do so. It will also be costly, likely requiring businesses, especially small businesses, to hire additional staff at a time when it is increasingly difficult to do so. Even if a company utilizes a third-party service to aid in this process, they will then have to pay service tax on top of the extra cost- of-doing-business.

On this point, there will be **additional costs-of-doing-business increases** for our member companies under this legislation. Many of our member companies rely on the use of other businesses for bookkeeping, human relations, software/IT, website hosting, tax preparation, payroll, and office management services, all of which they would now be required to pay 2.5% tax on. These costs will ultimately be passed along to customers, both commercial and residential. Maryland is already viewed as an unfriendly state for business (47th out of 50), and this bill would diminish that ranking even further.

Furthermore, this legislation places Maryland tree care companies at an **even greater competitive disadvantage** among those in neighboring states. Maryland is the only state in the Mid-Atlantic region that requires a license to perform tree care work, which is already an additional cost for our members. It is very likely that customers will utilize out-of-state companies who are not licensed and do not have to charge service tax for a cheaper rate. **This undermines the Maryland Tree Expert law and puts both workers and consumers at risk.** Even after raising licensing and renewal fees in last year's General Assembly, the Maryland

Department of Natural Resources is still gravely understaffed and underfunded to provide the enforcement needed as-is and an influx of out-of-state tree care companies will exacerbate this.

Due to the impact on Maryland's tree care industry, **MAA requests your unfavorable report on SB 1045.**

Sincerely,

Danielle Bauer Farace
Executive Director