



March 10, 2025
25-MRS-0078

The Honorable Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Opposition
SB 1045 Sales and Use Tax
Taxable Business Services – Alterations

Dear Chair Guzzone and Members of the Committee,

As an Owner of a Maryland engineering & architecture firm, I write to express strong opposition to Senate Bill 1045, which proposes expanding Maryland's sales and use tax to essential business-to-business (B2B) services. This legislation would impose a 2.5% tax on critical professional services that architects, engineers, and designers rely on daily; including consulting, accounting, IT, legal, and other essential operations.

While we recognize the need for fiscal responsibility, implementing a B2B service tax would have harmful, long-term consequences for Maryland's built environment, small businesses, and economic competitiveness. This bill is not just about added costs, it threatens the very foundation of how our firms operate and contribute to Maryland's communities. Engineering & Architecture firms, many of which are small businesses, rely on specialized professional services to support their projects and operations. This new tax would significantly increase operational costs, forcing difficult decisions about contracting, marketing, staffing and assessing which additional costs need to be absorbed, or costs that are attributable to projects.

Taxing services used in engineering & architectural design and construction creates a cascading tax effect, where services are taxed multiple times at different stages. This drives up project costs and directly impacts clients, from homeowners to developers and municipalities working on vital infrastructure projects.

Maryland would become one of the few states in the region to impose such a tax. For our business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

The built environment is a major contributor to Maryland's economy. By increasing costs for design and construction services, this bill would discourage investment in new projects, slow economic development, and reduce the ability of firms to take on new work; especially in sectors that drive public benefit, such as affordable housing, infrastructure, and sustainability initiatives.

Beyond financial strain, this tax would create complex new compliance requirements, forcing engineering / architectural firms to track, collect, and remit taxes on a broad range of professional services. Many small firms do not have in-house financial teams to handle this burden, leading to additional outsourcing costs and time-consuming administrative work.

Once Maryland establishes a B2B service tax, there is no guarantee it will remain at 2.5% or limited to the currently targeted services. Future budget shortfalls could lead to higher rates and additional taxed services, including critical areas like real estate, engineering, and construction administration, further compounding the financial burden on our industry.

Rather than imposing new taxes that stifle economic growth, Maryland should focus on policies that support business development and attract investment. The engineering and architecture design communities play a key role in shaping Maryland's future. We need policies that foster innovation, sustainability, and job creation, not ones that penalize the very services that drive economic progress.

We urge you and the General Assembly to carefully consider the damaging effects of SB 1045 and reject this bill in favor of pro-growth policies that support Maryland's businesses, built environment, and economy.

Sincerely,



Matthew R. Smith, P.E.

President

Andrew W. Booth & Associates, Inc.