

Testimony Against SB1045

Honorable Senators

Please enter an unfavorable report against SB1045.

I am against

- Altering the definitions of 'taxable price' and 'taxable service' for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and
- specifying the rate of the sales and use tax for certain labor and services.

At a time when Maryland is supposedly seeking more businesses to come to Maryland and is supposedly encouraging existing firms to stay, this bill exacerbates Maryland's current anti-business reputation. Placing a 2.5 percent sales tax on certain business to business goods and services, will just cause new businesses to seek out neighboring states, and make those already here to start making plans to leave the state.

Before Donald Trump became President, it was already reported that the state had a \$3 billion structural deficit. Now that he has begun cutting spending and reducing the size of the federal work force, the projected Maryland budget deficit has increased. Even while the budget deficit is increasing, some want to give extra benefits to these laid-off federal workers or hire them as State employees.

Rather than consider cutting existing programs and/or delaying big ticket items such as the Educational Blueprint and the Red Line light rail, bills are being introduced to spend even more when we cannot even pay for our existing programs. Thus, bills such as this are being introduced to increase taxes or fees on virtually every business and on virtually every resident. I can see why the budget surplus was sucked dry last year rather than raise taxes and fees during an election year.

Claims that tax increases are only going to affect "the rich" and the "large corporations" are disingenuous. The non-rich will eventually pay the cost of all these tax increases with every good or service we purchase, by being converted to part-time employees, or by being laid off as employers who cannot just increase the cost of their goods and services, reduce their labor costs, leave the state or go bankrupt.

This bill is even more onerous than some of the other bills that increase taxes. This bill lists a long list of professions and businesses that will be forced to add a 2.5 percent sales tax on all the goods and services they will provide to other businesses. There is one notable exception. This bill excludes attorneys. Many delegates are attorneys; so once again, we see another example of passing laws that do not affect many of those who write the bills (AKA rules for the teeming masses but not for the ruling elites).

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This bill uses the North American Industrial Classification System (NAICS) codes to identify those businesses subject to the proposed tax. The codes can be found at the following url

<https://www.naics.com/search-naics-codes-by-industry/>

The NAICS codes cited in the bill begin with 51, 52, 54, 56, or 81.

Attorneys are listed in section 5411, which is a code not listed in the bill, thus they are not subject to the tax.

<https://www.naics.com/six-digit-naics/?v=2017&code=54>

However, accountants, financial planners, and tax preparers (NAICS sections 5412 and 5239) are subject to the tax. If this bill should pass, attorneys in firms who do taxes and financial services for other companies will have a financial advantage, in that they can undercut these other groups by 2.5 percent for any bids that may have cost the same prior to the law change.

Excluding attorneys from this bill, makes this financial disaster of a bill unethical as well. So please enter an unfavorable report against SB1045

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