

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a service based small business owner AND as the Board Chair of the Harford County Chamber of Commerce, I'm writing to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

1. Disproportionate Impact on Small Businesses

Small businesses operate with tight margins and limited resources, making it difficult to absorb new taxes or handle services internally. Unlike large corporations, they depend on outsourced professional services for essential needs like accounting and technology support. Imposing this tax would increase annual costs by thousands, adding to existing economic pressures and potentially forcing tough decisions, such as raising prices, reducing staff, or scaling back growth investments.

2. This Legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

3. Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business and the membership in the Chamber 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.

4. Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small

businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

5. Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

6. Cascading Tax Effect

The B2B tax differs from a traditional sales tax, as it is applied to business-to-business transactions at various production stages, resulting in a cascading "tax on tax" effect. These accumulated taxes are passed on to consumers, making the final cost increase significantly higher than the initial 2.5% rate.

While we support initiatives to maintain Maryland's fiscal stability, the best way to address budget challenges is by implementing policies that foster business growth and economic expansion. A strong business environment drives job creation and economic activity, leading to increased tax revenue naturally.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

A handwritten signature in black ink that reads "Chris M. Stone". The signature is written in a cursive, flowing style.

Chris Stone

Co-founder, E-Moxie Data Solutions, Inc.

Chair, Harford County Chamber of Commerce