



Senate Budget and Taxation Committee

March 12, 2025

Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*

POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of opposition for Senate Bill 1045.

This bill would impose a 2.5% sales and use tax on a broad range of business-to-business (B2B) services. We informed our membership about this proposal and have received universally negative responses to the proposed B2B sales tax. There are a number of B2B service categories that are routinely used by MTC member companies, which means that these companies, mostly small and local tech and life science companies, would face a significant additional tax burden for operating in Maryland. Our members are particularly concerned about service categories, such as accounting, bookkeeping, and payroll services, management, scientific, and technical consulting services, scientific research and development services, and others.

As previously stated, numerous MTC member companies have come forward to speak about the potential negative consequences of this proposal. One such company includes a Baltimore City-based minority-owned company in the IT services and consulting industry that employs approximately 50 people, that has been doing business in Maryland for over three decades. This company states this bill would be a "near-fatal blow to our company." Companies like this often employ consultants and subcontractors, rely on outside accounting firms, and team with firms to provide specific IT expertise. Under this proposal, the business would be taxed at its operating and overhead cost level as their providers and partners collect the additional 2.5% B2B sales tax. Not only would this company be impacted, but they have over a dozen service businesses and self-employed teaming partners that would also be impacted. While it is difficult to determine the precise impact of this bill, this company fears it could eliminate their entire margin. This company will be forced to evaluate its location in Maryland, where it has operated for decades. Another MTC member company stated that "I have no reason to keep my businesses operating out of Maryland other than I like the people, the climate, and the history, therefore, I would not hesitate to relocate both to a small-business-friendly state like Virginia or Delaware." Numerous other companies have expressed their concerns about this proposal and have been emailing their General Assembly representatives directly.

Governor Moore has repeatedly spoken about making life science and IT strategic industry sectors for investment and the need to have a strategy to grow these sectors. We agree with the Governor's sentiment. However, the additional 2.5% B2B sales tax is in direct contrast to that goal

and risks to undermine efforts to support these industries. MTC has consistently urged the General Assembly to view its actions through a lens of economic competitiveness. This proposal will put Maryland at a disadvantage in growing, attracting, and retaining businesses, including those in the life sciences and technology sectors. Maryland is already a costly state to conduct business; this proposal would further exacerbate those operating costs. We encourage the General Assembly to reject the proposed 2.5% B2B tax.

For more information call:

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