

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

**RE: OPPOSITION to Senate Bill 1045 - Sales and Use Tax – Taxable Business Services – Alterations**

Dear Chair Guzzone and Committee Members:

I am writing to express my strong opposition to Senate Bill 1045 as a CPA and member of the Maryland Society of Accounting and Tax Professionals (MSATP). My practice is based in Owings Mills, where I have been serving Maryland taxpayers and businesses for 27 years.

This legislation, which would impose a 2.5% sales tax on accounting, tax preparation, and bookkeeping services provided to business entities, would have severe negative consequences for both my practice and the 100+ Maryland small businesses my practice serves.

The impact on my practice would be immediate and substantial. As a member in a small firm with 6 employees, I operate with limited resources and tight margins. Implementing this tax would require significant investments in technology, staff training, and client education – a substantial burden for a small professional practice like mine.

More concerning is how this tax would affect my clients. For example, a family-owned service business in Montgomery County that employs 3 people spends \$6,500 annually on accounting and tax services. This bill would impose an additional \$162.50 tax on these essential services. While this may not seem like much, considering that all of my clients are impacted by the ongoing shocks to the economy by your federal counterparts, and we are facing a worsening economic outlook, this tax will add insult to injury. For small businesses already operating on thin margins, these increased costs could lead to difficult decisions about reducing their use of professional services, at a time when the tax laws are getting more complex.

I would like to note that the phrase, ‘small business’ can be a bit of a loaded term. My definition of ‘small business’ is that the owner is entirely at risk of any economic loss, that they work shoulder to shoulder with their employees, and in the event of a cash crunch such persons would reduce their own payroll before laying off their staff. It is in my more than quarter century of professional experience that such small businesses, as I define them, and such individuals with self employment income, often form the core of their respective communities. It is these types of taxpayers that are often neglected from the discussion of tax law, and are most harmed by these bills.

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Going further, as I expect you will be receiving testimony from other service providers attempting to avoid having this expansion of tax put on them, I tender this argument for your consideration:

A business operating in our great State of Maryland has a legal obligation to report, calculate, and remit their taxes to the Comptroller's Office. No matter how many efforts to simplify the tax code are passed (at all levels of government), the code gets more and more burdensome. Because of this, taxpayers, both individuals and small businesses, reach out to professionals to help them comply with the law.

It has been my experience that the average citizen and business owner wants to comply with the law and will take steps to ensure that they are in compliance.

The act of expanding the sale tax rules to include tax preparation and related accounting services is tantamount to a penalty on taxpayers who are attempting to comply with the law. This is unethical.

Put simply, a person or business should **not** have to pay a tax in order to figure out what and how to pay their tax.

I certainly appreciate the State's need to fund its services, and as the nature of the economy evolves over time, legislators do need to consider updating the tax law accordingly. However, an eye towards fairness should always be the guiding star on matters of how the tax burden is administered.

To rebut the argument that a taxpayer can elect not to pay a professional for tax services and thereby the proposed sales tax on such services is discretionary, I offer these three counters:

- 1) It is wrong for the State (or any level of government) to prejudice a taxpayer who seeks professional counsel, especially on a legal obligation.
- 2) In today's modern economy, taxpayers (businesses and individuals) cannot always control whether or not they will have a complicated tax situation. In other words, there's not as much discretion as might appear on the surface. Sometimes, a tax situation can be complex and still involve low income individuals and small businesses.
- 3) For small businesses, the various services of bookkeeping, accounting, payroll administration, and the like, are inseparable from tax preparation. Small businesses, as defined earlier in this testimony, operate not on Generally Accepted Accounting Principles (GAAP), but on the Tax Basis of Accounting because it is too costly to calculate their financial results under these two starkly different methods.

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It is wrong to force taxpayers to pay sales tax on top of their income tax, and in the case of businesses that seek out professional services to calculate their sales tax – it is wrong to force them to pay sales tax on top of their sales tax.

Rather than pursuing this inherently unfair tax policy, I urge the committee to explore other options to generate revenue. I respectfully request an unfavorable report on Senate Bill 1045.

Thank you for considering my testimony.

Sincerely,

*Jonathan Rivlin, CPA*

Jonathan Rivlin, CPA  
The Rivlin Group, PC  
MSATP Member

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