Testimony in Opposition to HB1554/SB1045
Submitted by: Jeffrey Rosen, Managing Partner, RS&F
House Ways & Means Committee / Senate Budget and Taxation Committee
March 12, 2025
Legislative Position: UNFAVORABLE

Chair Atterbeary, Chair Guzzone, and Members of the Committees,

My name is Jeffrey Rosen, and I am the Managing Partner of RS&F, a business advisory and CPA firm based in Towson. Our firm employs many Maryland residents, represents hundreds of clients across many industries within the state, and supports various local community organizations.

This legislation would directly impact numerous clients by making it more costly for them to purchase essential accounting and consulting services. It would impose a tax on services required by businesses to fulfill their mandated tax compliance (i.e. it's a tax on tax). Small and middle-market businesses, which already face significant resource constraints, will bear the brunt of this policy while larger businesses that can perform these services in-house will avoid the tax entirely.

Many of our clients have already expressed grave concerns about other tax increases being proposed by the State of Maryland. The addition of this tax will push them further toward considering moving their business interests out of the state and choosing to work with non-Maryland CPAs, which will ultimately hurt Maryland's economy. This is not conjecture, rather we have had many conversations with business clients who believe their interests are fundamentally misaligned with those of the state.

Unnecessary Compliance Burdens and Increased Complexity

HB1554/SB1045 will add another layer of compliance burdens on taxpayers while also straining the CPA profession, which is already facing a shortage of resources and talent. The tax structure in Maryland is already complex and overwhelming for small businesses. Introducing an additional tax on professional services will only exacerbate these challenges, leading to confusion, higher compliance costs, and increased audit risks for businesses that lack the resources to navigate the ever-changing tax landscape. This legislation also violates several guiding principles of good tax policy, including the ability for effective tax administration, simplicity, neutrality, economic growth and efficiency, and minimizing the tax gap (reference: https://bit.ly/goodtaxpolicy).

Maryland's Competitiveness at Risk

This bill, in combination with other proposed tax increases, will unquestionably hurt Maryland's competitiveness. Businesses will be more inclined to relocate to other states with better tax policies, leaving Maryland at a disadvantage. Even in cases where businesses do not relocate entirely, many may absorb the tax and simply choose not to grow or hire new employees in the state. Rather than fostering a pro-business environment, this legislation will discourage entrepreneurship, job creation, and overall economic expansion.

Request for an Unfavorable Report

For these reasons, I urge you to issue an UNFAVORABLE report on HB1554/SB1045. This bill is anti-growth, anti-business, and would create unnecessary financial burdens on the very businesses that drive Maryland's economy. Rather, I encourage lawmakers to focus on policies that encourage economic growth and job creation within our great state.

Thank you for your time and consideration.

Jeffrey S. Rosen, CPA, CGMA, MBA