



Maryland
Hospital Association

Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Position: *Oppose*

March 12, 2025

Senate Budget & Taxation Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in opposition of Senate Bill 1045. SB 1045 would impose additional sales and use taxes on several business services that Maryland hospitals use every day. Increasing taxes on critical business services, including accounting, information technology, and administrative support, would have significant implications for hospitals. These services are indispensable to the efficient and effective delivery of health care to Marylanders. The proposed tax would increase operating costs, divert resources away from patient care and investments in community health initiatives, and deter health care innovation and investment in Maryland.

Maryland hospitals are also grappling with ongoing financial strain, as many have faced persistent negative operating margins in recent years. Since January 2020, operating expenses have risen sharply, and more than half of Maryland hospital systems have reported negative operating margins in most quarters over the past three years. In the third quarter of 2024, Maryland hospital system operating margins averaged just 0.3%—far below the 3% margin that experts consider necessary to sustain nonprofit healthcare systems. Over the past 11 years, Maryland hospital system margins have averaged only 1.6%, significantly behind hospitals nationwide.

Coupled with the constraints of Maryland's unique rate-setting system, which limits hospital's ability to generate additional revenue or cover unplanned costs, the added expenses from this bill could further jeopardize the financial stability of our health care institutions. Given these ongoing fiscal pressures, any additional tax burden could further strain hospital resources, ultimately threatening patient care and access to essential health services. Moreover, the broader economic impact of SB 1045 cannot be overlooked.

Furthermore, the bill does not adequately clarify whether nonprofit entities, including hospitals, are exempt from these taxes. All Maryland hospitals operate as non-profit institutions, ensuring that financial resources are directed toward patient care, medical advancements, and community health initiatives. This non-profit status helps ensure that, unlike other states, all Marylanders can access all of Maryland's world class hospitals and facilities regardless of their insurance status or ability to pay. Imposing additional tax liabilities on these institutions could divert critical funds away from patient services, research, and community health programs, ultimately undermining their ability to fulfill their mission.

For these reasons, we request a unfavorable report on SB 1045.

For more information, please contact:

Jake Whitaker, Assistant Vice President, Government Affairs & Policy
Jwhitaker@mhaonline.org