

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: Opposed

Chair Guzzone and Members of the Committee,

Today, I wish to share my 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 to operate, including accounting, IT support, consulting, and businesses like mine - a boutique social media marketing agency - as well as many members of the business community that I represent as the Vice President of the Pasadena Business Association.

While the state clearly faces budget challenges, implementing a B2B service tax would only exacerbate these problems over the long term by negatively impacting the state's economy and business competitiveness. It would disproportionately hurt small businesses like mine, which I manage, employing three contracted social media content creators.

My business began out of necessity after being laid off at the beginning of the pandemic in 2020. I marked my first major victory a year later when I was doing enough business to match the income I had lost. And two years ago, I celebrated earning my first six figures in gross revenue.

Unlike large corporations, small businesses like mine and those of my clients rely heavily on outsourcing professional services for accounting, technology support, and other essential functions - yes, even marketing! The photographers and graphic designers I work with are only two examples of the types of businesses that would similarly be impacted by this unprecedented and egregious proposed tax.

A B2B services tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth, and ultimately, impacting Marylanders and their families.

This proposal would directly increase my tax burden by approximately \$4,000-5,000, forcing me to make difficult decisions about increasing pricing and plans for future growth. That estimate doesn't even account for the increased costs I would face from services such as my accountant, bookkeeper, photographer, and any freelance social media managers in our state that I contract with who would all be forced to pass along the additional cost of this tax.

Beyond the 2.5% cost, this legislation would create significant administrative burdens for businesses to track, collect, and remit this new tax. This is particularly daunting for many non-retail small businesses who do not have the infrastructure in place to collect taxes as part of their business process. This means additional accounting or bookkeeping costs and time spent on compliance rather than growing the economy.

While today's proposal narrowly targets specific services at a seemingly innocuous 2.5%, it creates a troubling precedent, opening up a new category of economic activity to taxation. There is no reason to believe that it will stop here - future budget shortfalls could easily lead to

rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

On behalf of myself and members of the Pasadena Business Association, I urge you to reject SB 1045. In the current economic environment, we need policies that support the small businesses that make up the backbone of Maryland's economy and represent the greatest possibility for economic growth within our state, and keep us competitive within our region.

Sincerely,

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