

March 12, 2025

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

RE: MBIA Letter of Opposition SB1045 - Sales and Use Tax - Taxable Business Services - Alterations

Dear Chair Guzzone,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding SB1045-Sales and Use Tax - Taxable Business Services - Alterations. MBIA opposes the Act in its current version.

SB1045 would expand the sales and use tax business to business (B2B) services, altering definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities.

This legislation would apply new taxes to transactions between businesses for accounting, landscaping, payroll and technology services, creating significant economic challenges for Maryland's diverse business community. This proposal isn't just another tax — it's a direct hit to Maryland's small businesses. When a local restaurant, tech startup, or landscaping company has to pay more for accounting, human resources or IT support, they have two choices: raise prices on customers or cut costs elsewhere — often through job losses. That's not an economic growth strategy. It's an economic misstep.

This a potential huge increase for the construction industry, in breaking down the services that would be affected the industry could see an increase on services that are essential to operating construction in the state. This will trickle down to the consumer and increase the cost of housing. At a time when the state is embroiled with a housing crisis from both and inventory an affordability standpoint this legislation will greatly exacerbate this crisis. While this tax may provide a temporary revenue boost, its long-term consequences will outweigh any short-term gains. Higher costs for businesses mean reduced hiring, lower wages and a weaker overall economy, which ultimately leads to lower tax revenues in the future.

This tax makes Maryland a more expensive place to do business, pushing companies to consider neighboring states like Virginia and Delaware, where they wouldn't face these extra costs. We should be working to attract businesses, not driving them away. Maryland's economic future depends on policies that encourage growth, investment and job creation — not ones that make it more increasingly expensive to do business in our state.

For these reasons, MBIA respectfully urges the Committee to give this measure a un favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee