

Testimony in Opposition to SB 1045

Dear Members of the Senate Budget and Taxation Committee,

I am writing to you in my capacity as a Certified Public Accountant and small business owner, to express my strong opposition to SB 1045, which proposes the imposition of a sales tax on professional services. This bill, if enacted, would have several detrimental effects on small businesses, Maryland CPAs, and the broader community. I urge you to consider the following reasons for opposing this legislation:

1. **Disadvantages for Small Businesses:** Small businesses would bear the greatest burden under a sales tax on professional services. Unlike larger companies that often have in-house accounting and legal teams to handle complex tax requirements, small businesses typically rely on outsourced services for compliance and financial management. Taxing these essential services would force small businesses to absorb higher costs or invest in additional compliance resources — diverting limited funds away from growth, innovation, and day-to-day operations. This added financial strain could reduce competitiveness, hinder expansion, and place small businesses at a distinct disadvantage compared to larger corporations.
2. **Competitive Disadvantage for Maryland CPAs:** Maryland CPAs could lose clients to firms in neighboring states that don't impose such taxes. Prospective clients may opt for out-of-state firms to avoid added fees, putting Maryland-based CPAs at a significant disadvantage. This shift in client base could lead to reduced revenue for local CPAs and potentially result in job losses within the state.
3. **Regressive Tax Burden:** CPAs serving small businesses, non-profits, and lower-income individuals will see firsthand how regressive this tax is. It forces those least able to afford professional services to pay more — or skip crucial financial guidance altogether. This regressive nature of the tax disproportionately impacts those who are already struggling financially, exacerbating economic inequality.
4. **Threat to In-State CPA Firms:** Maryland's proximity to states that don't tax professional services presents a clear threat to in-state CPA firms. If accounting services become taxable here, clients could simply take their business elsewhere. This would not only harm local CPA firms but also reduce the overall economic activity within the state, as businesses and individuals seek more favorable tax environments.

In conclusion, SB 1045 would impose significant financial burdens on small businesses, create competitive disadvantages for Maryland CPAs, and exacerbate economic inequality through its regressive nature. I strongly urge the committee to reject this bill and consider alternative measures that support the growth and sustainability of small businesses and professional services within Maryland. Thank you for your consideration.

Sincerely,



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