



## **SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations**

### **House Budget and Taxation Committee**

**March 10, 2025**

**Legislative Position: UNFAVORABLE**

Dear Chair Guzzone and Members of the Committee,

My name is Kelly Jennings, and I am CPA (inactive) in Gaithersburg/Montgomery County. I am writing to express my strong opposition to HB 1554, which would impose sales tax on a wide range of business-to-business (B2B) services, including accounting, bookkeeping, and tax services.

*My role in the Maryland community for the past 15 years has been to work with small businesses under \$8M in revenue in the DC Metro area as a Chief Financial Officer.*

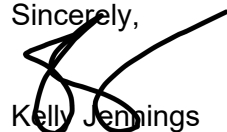
*HB 1554 will affect my fees to clients, but also my clients' fees to their clients as the majority of them are in the services industry too.*

This proposal is deeply concerning because:

- **Increases costs for businesses.** Taxing essential services creates a pyramid effect, where businesses pay tax on services used to run their operations. With less than 35 employees, every one my clients hires businesses for the majority of these services... which with this tax will go up 2.5% in cost:
  - IT Services for data security and digital functioning; Bookkeeping & Accounting; Tax Preparation; 401k Administration; Marketing and branding; Proposal writing; Meetings Management and Sales
- **Creates compliance challenges.** My clients already struggle to keep up with and pay me to keep up with the laws for tax compliance in each of their own industries and locations in order to meet complex state and federal tax requirements. Applying sales tax to these services only adds unnecessary administrative burdens in tracking, filing, and understanding when and how to do this.
- **Businesses in Maryland are not going to be competitive** against similar service providers in other states that will have lower bills because there is no tax to be charged. Or more likely, my clients will be required to drop their fees and 'eat this sales tax' when their clients discover this additional charge on their bills.
- Many of my service provider clients have broadened their workforce out of Maryland, and now have started to explore **moving their headquarters to another state**. I feel this tax on services on top of other soon-to-be-implemented programs (FAMLI for example) will push them to finally move their offices.
- For cost cutting, **MD businesses will move to services providers outside of MD**. I've already encouraged my clients to hire folks that they have the option to meet in person for coffee or lunch, but the extra taxes and regulations will outweigh the value of a handshake. They will put more emphasis on tax-free services and hire providers outside of MD.

For these reasons, I respectfully urge an UNFAVORABLE report on HB 1554. Maryland businesses should not be penalized for seeking professional expertise to remain compliant and financially healthy. Thank you for your time and consideration. I appreciate your service to our state and would be happy to discuss this issue further.

Sincerely,



Kelly Jennings