March 10, 2025

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

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

Dear Chair Guzzone, and Members of the Committee,

As a professional architect and owner of a firm that Is part of Maryland's architectural and design community, I write to express strong opposition to Senate Bill 1045. This legislation would expand Maryland's sales and use tax to business-to-business (B2B) services, imposing a 2.5% tax on essential professional services that architectural firms and design professionals rely on daily—engineering, consulting, accounting, IT, legal services, and more.

While we recognize the state's budgetary challenges, a B2B services tax is not the solution. Instead of fostering economic growth, this legislation undermines Maryland's businesses, increases costs, and creates a competitive disadvantage for firms across the state.

**How SB 1045 Harms Maryland's Architecture & Design Industry**

*Unnecessary Financial Burden on Architectural Firms*

Architecture firms operate on project-based budgets and rely on specialized professional services to execute complex designs. This tax would drive up costs, reducing profitability, limiting hiring potential, and discouraging investment in innovation and sustainability.

*Tax Pyramiding: A Ripple Effect on Construction & Development*

A B2B tax does not exist in a vacuum—it compounds at every stage of a project. When architects and engineers pay taxes on their services, those costs are passed on to developers, contractors, and ultimately the public. This increases construction costs, making projects less feasible, particularly for affordable housing, infrastructure, and historic preservation efforts.

*Maryland at a Competitive Disadvantage*

This legislation places Maryland at an economic disadvantage compared to neighboring states. Virginia and Delaware do not tax professional business services, making them more attractive for firms and clients alike. If SB 1045 is enacted, Maryland-based firms could see clients seeking services across state lines or even businesses relocating altogether.

*Unintended Consequences for Small & Minority-Owned Firms*

Small and minority-owned architecture firms will be disproportionately affected. Unlike large corporations with in-house legal, IT, and accounting departments, small businesses depend on outsourced services—all of which would now be taxed. This added cost could force firms to scale back operations, cut staff, or absorb unsustainable expenses.

*Administrative and Compliance Burden*

Beyond financial costs, this tax introduces new bureaucratic red tape. Architectural firms—many of which are small businesses—would be forced to track, collect, and remit taxes on professional services, diverting time and resources away from their core work: designing Maryland's future.

*A Slippery Slope for Future Tax Expansion*

Once in place, this tax will be difficult to control. There is nothing preventing future expansions to additional business services or increasing the rate beyond 2.5%. This uncertainty destabilizes business planning and investment in Maryland's design industry.

**The Bottom Line: SB 1045 Hurts Maryland's Built Environment**

If enacted, this tax will make projects more expensive, businesses less competitive, and innovation more difficult. At a time when Maryland should be investing in sustainable growth, historic preservation, and resilient infrastructure, SB 1045 takes the state in the wrong direction.

We urge you and the members of the General Assembly to reject SB 1045 and instead pursue pro-growth policies that support Maryland's architects, designers, and built environment professionals.

Sincerely,

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W.S. "Peter" Winebrenner, III, AIA
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