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I am writing as a CPA deeply involved with and committed to the success of Maryland's small businesses. I am concerned about Maryland House Bill 1554 and its negative implications for our business community. As it stands, the proposed tax policy would place an undue burden on small business operations and undermine our state's competitive edge in the region.

Below are the key reasons why I believe HB 1554 is misguided and should be reconsidered:

- **Additional Financial Burden on Small Businesses**
 - For small businesses operating on narrow profit margins, this extra tax means an immediate increase in operating costs.
 - Many small firms already face significant expenses, and this additional cost would further reduce the capital available for growth, hiring, and day-to-day operations.
 - By forcing small businesses to allocate funds towards an extra tax, Maryland risks stifling innovation and economic expansion, which are essential for a thriving entrepreneurial ecosystem.
- **Increased Compliance and Administrative Costs**
 - HB 1554 not only introduces a new tax but also creates a complex compliance environment. Small businesses will have to invest in new tools and systems to ensure accurate reporting and payment of the tax.
 - Many small companies lack the resources to manage this increased administrative burden without hiring additional professional help, such as accountants or tax advisors.
 - This extra cost of compliance is effectively a hidden tax, as it raises the overall cost of doing business in Maryland. These funds could be better spent on initiatives that directly support business growth and job creation.
- **Competitive Disadvantage in the Region**
 - Unlike Maryland, neighboring states such as Washington D.C., Virginia, Delaware, and Pennsylvania do not impose a similar tax on business services. Virginia and D.C. exempt most professional services from such levies.
 - This disparity creates a strong incentive for Maryland businesses to seek services from providers in these more tax-friendly states. Over time, this could lead to a significant outflow of business and services, weakening Maryland's overall economic competitiveness.
 - The risk of businesses relocating or shifting key service contracts outside of Maryland would result in job losses and reduced tax revenues, thereby defeating the intended purpose of the tax.
- **Unfair Selective Taxation**
 - A troubling aspect of HB 1554 is its selective nature. While the tax targets many critical business services, it notably excludes professions such as law, engineering, and architecture.
 - This selective taxation creates an uneven playing field, forcing some service providers to bear an extra financial burden while others enjoy a tax-free advantage.
 - Such an approach distorts market dynamics by incentivizing business decisions based solely on tax avoidance rather than service quality or suitability, ultimately harming the overall economic landscape in Maryland.
- **Ignoring Cost-Cutting and Fiscal Discipline Alternatives**
 - The justification for this tax hinges on the need to address Maryland's budget deficit. However, it is concerning that the state has not yet fully explored alternative measures such as reducing unnecessary spending or improving administrative efficiency.
 - Rather than imposing an additional tax on small businesses, the state should prioritize cost-cutting strategies that directly address these issues.
 - Recent budget proposals have demonstrated that meaningful savings are achievable through spending reforms. Relying on a new tax to close fiscal gaps sends the wrong message and places the burden on those least able to absorb it.
- **Broader Economic and Employment Implications**

- The additional costs imposed by HB 1554 are likely to result in higher prices for Maryland consumers, as businesses pass on the expense. This price increase would reduce disposable income and overall economic demand within the state.
- Furthermore, higher operating costs may force businesses to curtail hiring or delay expansion, directly impacting job creation and long-term economic growth.
- Maryland already faces challenges with a high overall tax burden, and this new tax risks further eroding the state's attractiveness to entrepreneurs and investors. In the long run, such a policy could diminish Maryland's competitive standing in the national market.

In summary, HB 1554 represents a policy that adds yet another financial and administrative burden on Maryland's small businesses without addressing the underlying issues of waste and inefficiency within our state government. Instead of raising taxes, I urge you to consider reforming state expenditures and embracing cost-cutting measures that will promote fiscal discipline while protecting the engines of our economy.

I respectfully request that you oppose HB 1554 in its current form and work towards alternative solutions that do not jeopardize Maryland's business environment. Our small businesses are vital to job creation, innovation, and the overall prosperity of our state. They deserve policies that support growth and maintain Maryland's competitive edge, not additional taxes that force them to look to neighboring states for more favorable conditions.

Thank you for your attention to this matter. I look forward to your thoughtful consideration and am available to discuss these concerns further if needed.

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