



March 10, 2025

Maryland Senate
Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chair Guzzone and Members of the Committee,

As a local business that represents and supports organizations across Maryland, I am writing to voice strong opposition to Senate Bill 1045, which seeks to extend the state's sales and use tax to essential business-to-business (B2B) services. This proposal would introduce a 2.5% tax on critical services that businesses depend on daily, such as accounting, IT support, consulting, and more.

While we recognize Maryland's budgetary challenges, imposing a B2B service tax is a short-sighted solution that would have lasting negative consequences for the state's economy and business climate. This legislation presents several significant concerns:

Harmful Impact on Small Businesses

Small businesses operate on limited margins and often rely on outsourced professional services to remain competitive. Unlike large corporations, they lack the capacity to absorb additional taxes or bring these services in-house. This tax would impose substantial new annual costs, forcing many businesses to make difficult decisions—whether to raise prices, reduce staff, or scale back investments in growth.

Double Taxation and Increased Consumer Costs

Taxing business services leads to a "tax-on-tax" scenario, where services and goods are subject to multiple layers of taxation throughout the production chain. This compounding effect increases the overall cost of doing business and, ultimately, raises prices for Maryland consumers.

Competitive Disadvantage in the Region

If enacted, this tax would place Maryland at an economic disadvantage compared to neighboring states. Virginia and Delaware do not impose similar B2B service taxes, making it more attractive for businesses to seek service providers across state lines or relocate altogether. This would weaken Maryland's business environment and discourage investment within the state.

Increased Administrative Burden and Compliance Costs

Beyond the financial impact, the added complexity of tracking, collecting, and remitting this tax would place a significant administrative strain on businesses—particularly small businesses with limited resources. Compliance costs would increase, diverting valuable time and money away from operations and growth.

Risk of Future Tax Increases and Expansions

Once implemented, this tax could easily be expanded to additional industries or increased beyond the initial 2.5% rate. There is legitimate concern that future budget gaps could lead to higher taxes or an expansion to essential services such as legal, real estate, and healthcare—further compounding the financial strain on businesses.

Long-Term Economic Consequences

Rather than fostering economic growth, this tax would create barriers that stifle business development and innovation. A thriving business community naturally generates revenue through job creation and economic activity, providing a more sustainable path to fiscal stability without imposing burdensome taxes.

I urge you and the General Assembly to consider the far-reaching implications of SB 1045 and reject this harmful proposal. Instead, we should focus on policies that support a strong, competitive, and business-friendly environment in Maryland.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Lovell", with a stylized, cursive script.

Nick Lovell
Account Manager
Unemployment Tax Service, Inc.