

## **Senate Bill 1045 – Testimony in Opposition**

**Date:** [March 10, 2025]

**Committee:** Senate Budget and Taxation Committee

**Position:** Opposed

Dear Chair Guzzone and Members of the Committee,

My name is Darren Clark, a proud Democrat and the founder of Clark Computer Services and Clark Building Technologies, both based here in Maryland. Over the past two decades, we've dedicated ourselves to providing top-notch IT support and technology solutions to a diverse clientele, including businesses, municipalities, and organizations that rely on our expertise to keep their operations running smoothly.

I am writing today to express my strong opposition to Senate Bill 1045, which proposes a 2.5% sales tax on essential business-to-business (B2B) services, encompassing IT support, consulting, and various other professional services. Implementing such a tax during these challenging economic times is, quite frankly, a bad idea at a bad time.

### **Economic Challenges and the Need for Fiscal Prudence**

Our state is currently grappling with a significant \$3 billion budget deficit, a situation that demands careful and strategic financial decisions. Governor Wes Moore has rightly emphasized the importance of efficiency and cost-cutting measures to address this shortfall, proposing \$2 billion in spending reductions across state government. Introducing a new tax on B2B services contradicts this approach and places an undue burden on small businesses that are already navigating a fragile economy.

### **Maryland's Business Climate: A Call for Improvement**

Historically, Maryland's economic growth has lagged behind national averages. Over the past decade, our state's gross domestic product (GDP) grew by only 11%, compared to a 23% growth nationally. This sluggish growth underscores the need to make Maryland a more business-friendly environment, encouraging investment and economic development. Implementing a tax that hampers small businesses is counterproductive to these goals.

### **Impact on Small Businesses: The Backbone of Our Economy**

Small businesses like mine operate on tight margins and often rely on outsourced services such as accounting, IT support, and consulting to function effectively. Imposing a tax on these essential services would force many of us to make difficult choices: either absorb the additional costs, which could threaten our financial viability, or pass them on to our clients, many of whom are also small businesses. This creates a ripple effect, increasing operational costs across the board and stifling economic growth.

### **Competitive Disadvantage: Neighboring States Stand to Benefit**

Neighboring states like Virginia and Delaware do not impose similar taxes on B2B services. By implementing this tax, Maryland risks driving businesses to relocate to these more tax-friendly states, resulting in job losses and a diminished tax base. At a time when we should be attracting businesses, this tax serves as a deterrent.

### **A Time for Fiscal Responsibility, Not Increased Taxation**

As a Democrat, I understand the need for revenue to support vital public services. However, introducing new taxes during an economic downturn is not the solution. Instead, we should focus on prudent fiscal management, identifying inefficiencies, and cutting unnecessary expenditures. This approach aligns with Governor Moore's emphasis on efficiency and cost-cutting to address our budgetary challenges.

### **Conclusion**

For these reasons, I strongly urge the committee to reject Senate Bill 1045. Let's focus on making Maryland a more attractive place for businesses by streamlining government operations and reducing unnecessary spending, rather than imposing additional financial burdens on the very entities that drive our economy.

Thank you for considering my testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Clark', with a stylized, cursive script.

**Darren Clark**

**Founder & CEO, Clark Computer Services & Clark Building Technologies**