



Senate Budget and Taxation Committee

March 12, 2025

Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*

POSITION: OPPOSE

The Maryland Chapter of the Associated General Contractors of America (MDAGC) provides professional education, business development, and advocacy for commercial construction and highway companies and vendors, regardless of labor policy. AGC of America is the nation's largest and oldest trade association for the construction industry. MDAGC opposes Senate Bill 1045.

Below are outlined points on how Senate Bill 1045 will affect MDAGC.

1. Impact on the Construction Industry:

- Taxes on payroll, accounting, IT, and consulting services will raise operating expenses for general contractors and subcontractors. These costs will be passed on to project owners, including public agencies, driving up the price of infrastructure projects.
- Construction firms already pay taxes on materials and equipment. Taxing the professional services required to complete these projects creates an unfair additional financial burden.
- Smaller contractors, who outsource many of these services, will be disproportionately impacted. Unlike larger firms with in-house departments, they will have no choice but to absorb the tax or increase prices, making them less competitive.

2. Negative Impact on Maryland's Business Competitiveness:

- Neighboring states, Virginia, Pennsylvania, and Delaware, do not impose similar taxes on B2B services. Maryland firms will face higher costs, making them less competitive in regional bidding.
- Companies may shift service procurement to out-of-state vendors to avoid the tax, hurting Maryland-based businesses.
- Over time, contractors may consider moving operations to lower-tax jurisdictions to maintain profitability.

3. Economic and Infrastructure Consequences:

- Added costs will lead to tough choices: reducing staff, raising prices, or scaling back operations. Many firms will be forced to cut back on hiring or expansion.
- Increased contractor costs will raise bids for government-funded projects, leading to fewer roads, schools, and public facilities being built for the same budget.
- The additional tax burden could push private developers to postpone or cancel projects, slowing economic growth and infrastructure investment.

For the reasons stated above, we request an unfavorable vote.

For more information:

J. Steven Wise
(410) 244-7000