



Committee: Senate Budget and Taxation

Bill Number: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Hearing Date: March 12, 2025

Position: Oppose

The Independent Pharmacies of Maryland oppose Senate Bill 1045 – Sales and Use Tax - Taxable Business Services – Alterations. This bill would impose a new 2.5% sales tax on business-to-business services, including accounting, IT support, consulting, marketing and numerous other professional services that independent pharmacies rely on.

Independent pharmacies serve as an integral part of the community by providing essential services that go beyond merely dispensing medications. Our focus is on personalized patient care, health consultations, and fostering long-term relationships with patients to improve their well-being. This bill's proposed tax would significantly burden our ability to continue offering these vital services. Such a tax would increase operational costs and may lead to making healthcare less accessible, especially for the elderly and underserved communities who rely on independent pharmacies in their community. Many independent pharmacies are already operating on razor-thin margins. The financial strain from additional taxes would reduce our ability to reinvest in our businesses, purchase necessary medication and equipment, and provide adequate support for our patients.

In addition to the burdens from House Bill 1554, independent pharmacies are struggling under the influence of pharmacy benefit managers (PBMs). PBMs serve as intermediaries between pharmacies and insurance companies, yet their practices often hurt independent pharmacies by driving down reimbursement rates, delaying payments, and restricting access to certain medications. These practices result in reduced revenue for pharmacies, making it harder for independent pharmacies to compete with larger chains or mail-order pharmacies.

PBMs typically negotiate higher prices for medications but provide independent pharmacies with a fraction of the reimbursement. Often, these reimbursement rates are not sufficient to cover the costs of providing medications and services to our patients, forcing independent pharmacies to absorb losses. PBMs often prefer to steer patients toward mail-order services or large retail chains with whom they have exclusive contracts, creating an unfair competitive disadvantage for independent pharmacies. These practices by PBMs harms patients, who lose access to personalized care and face increasing barriers to obtaining the medications they need.

The combination of a proposed service tax and the continued influence of PBMs threaten the viability of independent pharmacies in Maryland. The added financial burden would make it even more

difficult for independent pharmacies to survive, ultimately reducing access to quality healthcare in communities.

We urge the committee to consider the unintended consequences that House Bill 1554 would have on independent pharmacies and the patients we serve. If we can provide any further information, please contact Michael Paddy at mpaddy@policypartners.net.