

To the Senate Budget and Taxation Committee – March 12, 2025

**SB 1045 – Sales and Use Tax – Taxable Business Services – Alterations
UNFAVORABLE**

My name is Karen Syrylo. I am a Certified Public Accountant (CPA) with over 45 years of experience in Maryland. For most of that time I have specialized in consulting on multistate tax issues for clients, both business entities and individuals, first as a partner in a large CPA firm and now as a sole practitioner. I currently teach a course on Maryland's and multistate taxes at the University of Baltimore Law School.

I respectfully request that you oppose the passage of SB 1045 which would impose Maryland's sales tax on a range of professional services, including tax preparation and consulting, provided by a business entity to a business entity customer. I understand the budget situation that you are currently wrestling with. This Bill is a terrible idea for Maryland for many reasons.

I am hearing from clients and CPA colleagues about their plans to leave Maryland. These taxes will kill our state's already stagnant economy via removal of that business activity.

Your voters will pay this tax.

Does anyone really believe that even though the bill is targeted at business-to-business transactions, individuals won't be impacted? That the business entity customers who would pay this tax to their service providers won't add the cost of the tax to the prices they charge their customers for the goods and services they sell? Your constituents will end up bearing the burden of this expense. It is no secret that Maryland is already an expensive place to live, and this tax will make it worse by adding to the costs of everyday purchases by Marylanders.

Small businesses will be hurt the most.

Small businesses don't have the financial ability to have full-time staff to perform the types of services listed in the Bill; they must rely on third-party providers like me and so they will pay this tax cost. But large businesses have in-house employees who do the business accounting, tax return preparation, etc., and so will not pay this sales tax. Maryland is a small-business state, they form the backbone of our economy. Targeting a tax on small business entities flies in the face of Governor Moore's stated goal of fixing our budget issues by growing our economy, making Maryland more business friendly to add private sector jobs – that is what results in more income tax and sales tax revenue for the State.

Sales tax on these services creates an administrative nightmare for the providers, the customers, and the Comptroller's Office.

In my state tax consulting work I advise clients on sales tax matters for all 46 states that impose the tax, including for those states that tax some services. A tax on professional-type services is among the most complicated to administer, for all parties, which is why most states don't do it. What is the service that is taxable? The NAICS codes in HB1554 are very general. Where is the transaction taxable? Today these services are often provided by multistate firms to multistate

customers; plus, they are often delivered electronically rather than in person. **Consider this example:**

I am in my office in Baltimore and receive a phone call from my client in his North Carolina headquarters; I conference in my partner in Tysons Corner, Virginia to help with the client's questions; the client conferences in his plant manager in Ohio who asks us questions about the accounting data needed to calculate the business income tax for their stores that are located in Indiana and Illinois.

WHERE is the sales-taxed transaction?

Is it Maryland, because I took the phone call and participated in providing the tax consulting advice? What about the part of the service provided by my Virginia partner?

Is it North Carolina where my client who started the question is located?

Is it Ohio where the manager asking the question is located?

Is it Indiana and Illinois because that's where the client's stores who will benefit from my advice are located?

There are many real-life examples like this that make the legal and administrative questions a nightmare for all involved. Determinations, some times best guesses, must be made by the service provider, and complex processes set up to identify and deal with the questions. The multistate clients often challenge those determinations and fight over the tax. The tax auditors have different determinations, resulting in audit procedures and even litigation that create expense for both the business and the state tax authority.

This is why most states don't tax professional services, and why a few that at one time did try to tax them, later repealed those taxes (remember Maryland's short lived computer services tax?!)

Maryland is again playing with fire over its reputation for business attraction

SB 1045 is a first-of-its-kind, and in a bad way. No other state, even those that tax some services, targets business-to-business services. The Bill sends an anti- business message. I am already hearing from business clients who plan to move from Maryland because of the idea of this sales tax expense. The same is true for some of my CPA colleagues who cannot bear the idea of dealing with the administrative costs and complexities of this tax. Maryland is already known as expensive and not business-friendly, and for many people this sales tax will be the last straw, the final reason for them to implement their decision to leave. That's what some are telling me right now.

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Please, please, please, I respectfully request that you vote "no" on SB 1045. Instead of a tax that creates more financial and administrative burdens on CPAs and our clients, let's all work together on improving Maryland's economy by attracting more businesses, more jobs that will result in more tax revenues for the state.



Karen T. Syrylo, CPA

410-218-2898

ksyrylo@verizon.net