



Letter of Information on SB 1045
Before the Senate Budget and Taxation Committee

By: Maxwell Bloch, LeanToo Consulting, LLC
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Chair Guzzone, Vice-Chair Rosapepe, and Members of the Senate Budget and Taxation Committee, thank you for this opportunity to submit this letter of information about SB 1045. As a small business owner in Maryland, I applaud your efforts to balance our budget and foster a healthy economy.

As a provider of consulting services and digital products, and a business-to-business consumer of countless products and services, I implore you to consider the following topics. These are areas that I've identified would lead to confusion for myself or my current and prospective clients and business partners.

(Numbered only for ease of reference)

- I. Businesses who do not already have a registration for a sales and use tax license may not be familiar with how to register or navigate.
- II. Is the tax burden placed on the service provider, or the service consumer? My assumption would be upon the service consumer, as it is for existing goods and services. However, most goods and services purchased or consumed today against the Maryland 6% tax rate are facilitated by large marketplaces and established vendors collecting the sales or use tax on behalf of the consumer, and reporting it as such. To my point above, there may be a number of service providers that I may engage with as a consumer who will not be prepared to collect the 2.5% sales and use tax for services. This could create a landscape of confusion, and possible delayed tax collection. I would urge the Comptroller to be lenient with imposition of late taxes in this area for several years.
- III. Are there any expected exclusions? Again for new providers or consumers to taxable services, there may be confusion if a service provider is performing a business-to-business transaction with an exempted entity. Consider the large number of services provided across the E-Maryland Marketplace. If a service provider begins collecting taxes universally without consideration for exemption,



they may be at risk of collecting taxes when they shouldn't.

Any guidance in this area especially geared towards businesses consuming or providing services would be beneficial.

Thank you for considering my comments, and for your tireless and valuable contributions to Maryland businesses.

Sincerely,

Maxwell Bloch

Owner

LeanToo Consulting, LLC