



SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Committee: Senate Budget and Taxation Committee

Date: March 12, 2025

Position: Unfavorable

The Maryland Bankers Association (MBA) **OPPOSES** SB 1045. This legislation, as drafted, imposes a 2.5% sales tax on various business-to-business services, including audit services, IT and data services, consulting services, and more. MBA has concerns that this additional tax will disproportionately impact Maryland's community banks and will ultimately lead to higher costs of financial products and services for Marylanders.

Communities around Maryland depend on local banks to assist residents and businesses in thriving financially. Community banks typically have a smaller service area than well-known larger banks, meaning that their balance sheets are lighter, and they cannot realistically employ everyone needed to succeed with a solely internal staff. Because of this, they rely heavily on third-party service providers to not only provide cost-efficient products and services, but to ensure compliance with state and federal banking regulations as well. The increased costs of the services listed in SB 1045 could result in a bank not hiring new employees, not investing in newer technology to combat fraud, or being at risk of falling out of regulatory compliance. Like other businesses, customers would likely see an increase in the cost of products and services for a bank to cover costs and ensure balance sheet stability.

MBA understands the significance of closing Maryland's structural deficit and appreciates the Senate Budget and Taxation Committee's dedication to doing so. However, the proposed sales tax in SB 1045 will put accessible and affordable access to products and services offered by Maryland banks at risk.

Accordingly, MBA urges issuance of an **UNFAVORABLE** report on SB 1045.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than \$194 billion in deposits in over 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.