Small businesses will bear the biggest burden

If Maryland lawmakers move forward with the proposed tax, the real victims won't be big corporations — they'll be small businesses.

Let's be clear: This tax puts small businesses at risk.

Small businesses already operate on razor-thin margins. They rely on professional services — accounting, tax preparation, legal, and consulting — to stay compliant, manage payroll, and make informed financial decisions. Now, legislators want to impose a sales tax on those very services, making it more expensive for small businesses to do business.

For a Fortune 500 company, this is just another line item in their budget. But for a small business? It's the difference between hiring another employee and cutting back. Between staying open and shutting down.

Small businesses rely on CPAs to stay compliant. Large corporations have in-house finance teams, meaning they won't feel the sting of this tax. But small businesses? They'll pay more for every tax return prepared and every financial consultation.

Higher compliance costs mean higher prices for consumers. Small businesses can't absorb these costs indefinitely. They'll either pass them on to customers and drive up prices, or they'll reduce their reliance on these critical services, exposing them to financial and regulatory risks.

This tax discourages small business growth. Why would a Maryland entrepreneur expand when they know that every service they need to grow — tax prep, accounting, business consulting — will cost more here than in Virginia, Delaware, or Pennsylvania?

Simply put: A tax on professional services isn't just bad policy; it's a direct hit on the very businesses Maryland should be supporting.

The bigger picture: A cumulative burden on small businesses

This proposal does not exist in a vacuum. With over 170 proposed bills already under consideration that could impact small businesses, lawmakers must consider the cumulative effect of these changes on Maryland's business community. Now is not the time to introduce yet another financial hurdle.

A tax on tax preparation

The idea of taxing tax preparation services is especially alarming. Imagine telling a Maryland small business owner: "Not only do you have to pay taxes, but now you have to pay extra just to figure out how much you owe."

For many small businesses, navigating Maryland's tax system is already complicated. This tax would make compliance even more expensive, penalizing businesses simply for following the law.

Complexity and confusion: A compliance nightmare

Taxing professional services isn't just bad for small businesses — it's also a logistical disaster.

Where is the service provided? If a Maryland CPA prepares taxes for a business with locations in multiple states, does the tax apply to the Maryland portion of the return? The entire service?

What about remote work? A CPA in Annapolis works from home one day, then their office in Baltimore the next. If a client is located out of state, where is the taxable event? What about when employees outside of Maryland work on a project?

What's the cost of compliance? Small business owners would have to track and report professional service taxes, creating yet another administrative burden.

This is a tax policy that invites confusion, disputes, and unnecessary costs — hurting small businesses and overwhelming the state's already burdened tax administration system.

Tax pyramiding: A hidden tax that consumers will pay for

One of the biggest hidden dangers in taxing professional services is tax pyramiding — when taxes stack up on top of each other at multiple stages of production.

Let's say a small business hires a CPA for tax preparation and a consultant for financial planning. Each of those services would be taxed separately, increasing the cost of doing business at every step. That cost doesn't disappear — it gets passed on to consumers, making everything from basic goods to essential services more expensive for everyone.

Other states have tried — and quickly reversed course

Maryland wouldn't be the first state to try taxing professional services. Others have tried — and failed.

Florida (1987): Lawmakers repealed their service tax after just six months due to overwhelming business opposition and administrative chaos.

Michigan (2007): Their tax on services lasted less than a day before legislators repealed it due to immediate backlash.

Why? Because taxing professional services doesn't work. It creates more problems and ultimately hurts small businesses — the very businesses Maryland should be trying to help.

Maryland's competitiveness is at stake

With today's technology, businesses can get accounting and consulting services from anywhere. If Maryland makes those services more expensive, businesses will simply hire professionals in states without a services tax.

The result?

Maryland loses revenue.

Maryland loses jobs.

Maryland loses businesses.