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March 5, 2025

Senate Version:  
The Honorable Guy Guzzone  
Chair, Senate Budget and Taxation Committee  
Miller Senate Office Building, 3 West  
11 Bladen Street  
Annapolis, MD 21401

### RE: OPPOSITION to Senate Bill 1045 - Sales and Use Tax – Taxable Business Services – Alterations

Dear Chair and Committee Members:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents. We write to express our strong opposition to Senate Bill 1045, which would impose a new 2.5% sales tax on essential accounting, bookkeeping, tax preparation, and financial planning services when provided to business entities.

This legislation would devastate small accounting practices throughout Maryland, most of which are small businesses themselves operating on thin margins. These firms would face an impossible choice: absorb the tax and further reduce already slim profit margins, or pass the tax to clients and risk losing them to larger firms or out-of-state providers. The administrative burden would be overwhelming for small practices, requiring significant investments in new billing systems, staff training, and compliance procedures.

The impact would extend well beyond accounting professionals to the small businesses they serve. These businesses rely on accounting services not as a luxury but as a necessity for compliance with existing tax and regulatory requirements. Making these essential services more expensive would lead some small businesses to reduce their use of professional services, potentially resulting in increased tax filing errors, missed tax savings opportunities, and greater exposure to audits and penalties. For a typical small business in Maryland spending \$12,000 annually on accounting services, this new tax would add costs at a time when many are already struggling.

We are particularly troubled by the inequitable treatment across professions in this legislation. While accounting services (NAICS code 5412) are specifically targeted, legal services (NAICS code 5411) are conspicuously absent from the list of taxable services. This selective approach would apply the tax to approximately 188,917 accounting, tax preparation, and bookkeeping businesses while exempting approximately 359,026 legal service businesses. Both professions provide essential services to businesses, yet this legislation inexplicably targets one group while exempting another, raising serious questions about fairness and equal treatment under tax law.

Consider the real impact on a solo tax practitioner in Western Maryland serving 150 small business clients. This professional would need to invest thousands in software updates and professional advice, spend dozens of hours implementing new systems during the busy tax season, and explain the new tax to cost-sensitive clients. Many of these clients could easily turn to tax professionals across state lines in Pennsylvania or West Virginia. Similarly, a small family-owned accounting firm in the Baltimore suburbs would face implementation costs of \$15,000-\$20,000 and ongoing administrative costs of \$8,000-\$10,000 annually – expenses that could threaten their very existence.



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Ironically, this tax could potentially reduce state revenue in the long term by decreasing overall compliance with existing tax laws if businesses reduce their use of professional services, driving business activity to neighboring states, and creating administrative costs that offset a significant portion of the new revenue. The cumulative effect of these changes would weaken Maryland's economic competitiveness and place unnecessary burdens on the professionals who help ensure tax compliance.

For these reasons, we respectfully urge the committee to issue an unfavorable report on this legislation that would harm Maryland's accounting professionals, the small businesses we serve, and ultimately the state's economic competitiveness.

Respectfully submitted,

*Giavante' Hawkins*

Giavante' Hawkins  
Maryland Society of Accounting and Tax Professionals

