

Maureen Wambui

7827 Rolling View Ave, Nottingham, MD, 21236

Maureen.w.m.2030@gmail.com

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The Honorable Members of the Senate Committee on Budget and Taxation

Maryland General Assembly, Annapolis, MD 21401

Testimony in Opposition to SB1045 - Sales and Use Tax - Taxable Business Services - Alterations

Hearing Date: March 12, 2025

Chairperson and Esteemed Members of the Committee,

My name is Maureen Wambui, and I am a proud Immigrant, Community advocate and resident of Legislative District 8 in Maryland. Thank you for the opportunity to provide testimony in opposition to **SB1045**, a bill that would expand Maryland's sales and use tax to various business-to-business (B2B) services. As a financial industry professional and advocate for small businesses, particularly in minority communities, I urge this committee to reject this proposal due to its harmful economic consequences.

Increased Costs for Small Businesses

This bill will significantly increase operational costs for Maryland's small businesses, many of which are already struggling to keep up with rising expenses. Entrepreneurs rely on essential services like accounting, marketing, consulting, and IT support to sustain and grow their operations. By imposing additional taxes on these services, the state will make it more difficult for small businesses to remain competitive, forcing them to either absorb the extra costs or pass them on to their customers.

Unnecessary Administrative Burden

The expanded tax requirements under SB1045 would create an added layer of complexity for businesses that already face extensive regulatory and financial challenges. Many small businesses lack dedicated accounting teams and would now have to navigate additional tax compliance issues, increasing the risk of errors and penalties. Rather than fostering an environment where small businesses can thrive, this bill would place unnecessary bureaucratic roadblocks in their path.

Risk of Economic Slowdown

At a time when Maryland is working to attract businesses and spur economic development, implementing a tax on B2B services could have the opposite effect. Companies may choose to outsource these services to states with lower tax burdens, reducing revenue for local businesses and potentially leading to job losses. Additionally, this tax could deter new businesses from establishing themselves in Maryland, stunting economic growth.

Negative Impact on Professional Services and Innovation

Industries that drive innovation, such as IT, consulting, and digital marketing, would be disproportionately affected by this tax. These services are essential for businesses to scale and compete in today's economy. By imposing a tax burden on these critical sectors, Maryland risks reducing access to the very services that enable businesses to innovate and expand.

Disproportionate Harm to Minority Owned Businesses

Many minority and immigrant entrepreneurs operate small service-based businesses that would be directly impacted by SB1045. These business owners often work within tight financial margins and depend on professional services to grow their enterprises. Imposing additional taxes on the very services they rely on will disproportionately harm the very communities that contribute to Maryland's economic diversity and vibrancy.

Instead of imposing additional tax burdens on businesses, Maryland should focus on policies that promote economic growth, job creation, and entrepreneurship. The revenue generated from this tax does not justify the long-term economic damage it could cause. For these reasons, I respectfully urge this committee to vote **NO** on SB1045.

Thank you for your time and consideration.

Respectfully submitted,

Maureen Wambui.