

March 10, 2025

Chair Guy Guzzone  
Senate Budget & Taxation Committee  
3 West Miller Senate Office Building

Chair Vanessa E. Atterbeary  
House Ways and Means Committee  
130 Taylor House Office Building

RE: *Senate Bill 1045/House Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations* (**OPPOSE UNLESS AMENDED**)

Dear Chair Guzzone and Chair Atterbeary and Members of the Committees:

I am writing on behalf of Patient First to express our strong concerns regarding *Senate Bill 1045/House Bill 1554: Sales and Use Tax – Taxable Business Services Alterations* and to propose reasonable amendments to ensure that the bill does not target Maryland businesses inappropriately.

Patient First offers primary and urgent care medical services to patients at 24 medical centers in the State of Maryland. Patient First medical centers care for patients from 8 a.m. to 8 p.m. every day of the year, including all weekends and holidays. In 2024, we treated patients during more than one million visits in Maryland, with almost 25% of those visits from Medicaid patients. We employ more than 1,000 Marylanders at our medical centers and our administrative offices in Hanover.

Like many companies in health care, Patient First is organized as a consolidated group of affiliated entities, in which one entity employs medical professionals to deliver health care services to patients and an affiliate provides business services in support of health care delivery. Business support services include billing and collections; accounting and payroll services; purchasing; IT services and support; and third party contracting (e.g., with insurers and government health plans).

Senate Bill 1554/House Bill 1554 will have the effect of making these intracompany services taxable, when they would not be if they were provided within a single corporation. We do not believe that this is the intention of the legislation, which instead seeks to impose a tax on the range of business-to-business services offered by service providers to unrelated third parties in the State of Maryland. **Therefore, we request an amendment to exempt intracompany services, defined as services provided between business entities that are consolidated into a parent entity under generally accepted accounting principles, or “GAAP,” and file and pay taxes through the parent entity.** This exemption would insulate services provided between affiliated or related organizations that operate as a single business, which would otherwise become taxable

simply because of their organizational structure. This exemption can be achieved by adding the following definitions:

Proposed language for your consideration:

1. "Affiliated Group" means a group of corporations or other legal entities preparing financial statements that are consolidated consistent with generally accepted accounting principles and filing a consolidated federal income tax return.
2. "Taxable Service" does not include any service offered or delivered between corporations or other legal entities that are members of an Affiliated Group.

Patient First operates in four states, with a focus on Maryland and Virginia. In January, we opened our 24<sup>th</sup> Maryland medical center in Capitol Heights, just inside the I-495 beltway. We are in the early stages of developing two additional medical centers in areas of need in Maryland (with only one new location currently under development in our other states). Our margins are simply not sufficient to sustain the introduction of a 2.5% tax on intracompany services that we have provided to our medical centers continuously during our 30-year history in the state. Without the above change, Patient First may have no choice but to delay or abandon development of new locations in Maryland and instead prioritize Virginia medical centers, a situation that can be avoided with the language referenced above.

Thank you.

Sincerely,



Stephen C. McCoy  
Senior Vice President