



Testimony on *Opposition* to Senate Bill 1045
Sales and Use Tax - Taxable Business Services – Alterations

To: The Honorable Guy Guzzone
Chair, Budget & Taxation Committee

Testimony from: Kristen Pironis
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Dear Chair Guzzone and Members of the Budget & Taxation Committee:

On behalf of Visit Annapolis & Anne Arundel County, I am writing to express our *opposition* to Senate Bill 1045. While we share significant concern about Maryland's budgetary position and are aligned on the necessity of creative solutions to generate revenue for the state, imposing a 2.5% tax on services would create a material disincentive to doing business in Maryland that would exacerbate our current budgetary situation. The best way to fix our state's budget circumstances is to invest in policies that make us more competitive for business and promote economic growth.

As the official destination marketing and management organization for Anne Arundel County and the City of Annapolis, and a 501c6 nonprofit organization funded by hotel tax dollars to execute our mission, this proposed B2B tax would have significant repercussions. Tourism generates a significant return on investment. For every dollar spent on tourism marketing, Maryland sees a return of \$34, contributing \$20.5 billion to the state's economy. Anne Arundel County represents 20 percent of that economic impact with more than 6.8 million visitors generating \$4.1 billion annually and supporting over 18,000 direct jobs while stimulating local businesses. The vibrant economy created by tourism benefits not only visitors but also enhances the quality of life for residents by supporting our arts, culture, and community initiatives. A B2B tax would only cannibalize the great efforts our organization and other nonprofit organizations make to drive business to our region.

Small businesses already operate on thin margins. Adding a new 2.5% tax to essential services like accounting, marketing and IT support will increase the cost of doing business. Additionally, this new tax will require a new set of administrative and reporting tools for many of these businesses and add an unnecessary cost burden to the business. Those costs would no doubt be passed along to consumers, greatly impacting visitor spend to the region and further cutting into the economic impact that the tourism industry brings to Maryland.

States with service taxes are at a disadvantage when it comes to competing with states that don't tax these services. SB 1045 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. Note that none of the states in the region broadly tax services. In fact, as of 2024, only Hawaii, New Mexico and South Dakota do. Furthermore, the administrative obligation associated with compliance would be a considerable burden to small and minority-owned businesses in the state.

While on the surface the revenue estimates from this proposal may seem enticing, using this figure alone to make a determination on the appropriateness of the policy to fix Maryland's budget is misleading and lacking in context. A significant factor contributing to the financial position we are in today is a lack of economic competitiveness with our neighboring states. To have healthy, long-term growth, we need to ensure businesses can afford to open and stay in Maryland. A revenue bump at the expense of losing service providers to relocation and directing businesses here to procure services from non-Maryland providers is a short-sighted endeavor that would frustrate growth and weaken our economy for years to come.

While the objectives of SB 1045 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's economy would defeat the purpose of ensuring Maryland's long-term economic health. We request an unfavorable report for SB 1045 and urge you to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Thank you for your consideration.

Sincerely,

Kristen Pironis
Chief Executive Officer
Visit Annapolis & Anne Arundel County