SB 1045 - SunMed Growers - FWA.pdf

Uploaded by: Jason Weintraub

Position: FWA

JACOB J. VAN WINGERDEN
MANAGER
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TEL 410.275.4465
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March 10, 2025

Chair Guy Guzzone
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
11 Bladen Street
Annapolis, Maryland 21401

Re: SB 1045 – Sales and Use Tax – Taxable Business Services - Alterations

Chair Guzzone, Vice-Chair Rosapepe, and members of the Committee:

I am writing to urge your support for an amendment to the above bill (the "Taxable Business Services Bill") currently under consideration by the legislature. The purpose of the proposed amendment is to exclude from taxation certain business services sold by a business entity to an affiliated/related business entity that cannot deduct expenses under Section 280E of the Internal Revenue Code. The reasons for this request are set forth below.

In 2015, I formed SunMed Growers, LLC ("SunMed") and applied for a medical cannabis grower license. SunMed received one of the 15 grower licenses originally awarded by the MMCC. Although medical (and, later, adult-use) cannabis was made legal in Maryland, it remains illegal under federal law. As a result of federal illegality, most banks and financial institutions will not accept cannabis deposits, or provide banking services for cannabis businesses, or accept monies where the source of such funds come from cannabis businesses.

The banking limitations surrounding funds from cannabis businesses posed very practical problems for me and my employees. How would I pay my employees if banks won't open a payroll account for me to pay my employees? How would my employees be able to cash their checks if their bank won't accept paychecks drawn on a cannabis company? How would my employees be able to pay rent, obtain loans and pay ordinary expenses if their source of income comes from a cannabis company?

To solve this problem, I created a separate management company ("MGT"). All workers at SunMed are employed by MGT, MGT runs payroll for SunMed, and all SunMed workers payroll checks are drawn on accounts of MGT (not SunMed). MGT is solely a management/payroll company – it does not actively engage in cannabis cultivation, processing or sales. For each payroll period, SunMed transfers funds to MGT for MGT to issue payroll checks for the SunMed workers. It is important to recognize that MGT was formed solely as a solution to the cannabis banking problem, so that SunMed could pay its workers, and so that SunMed workers could deposit their paychecks, pay rent, obtain loans and otherwise engage in ordinary economic activity without the taint of funds coming from cannabis activity. It is my understanding that this solution – having a separate company for handling payroll/employment – has become common in the cannabis industry to resolve the banking limitations that impact cannabis businesses.

Under the proposed Taxable Business Services Bill, I am concerned that the payments by SunMed to MGT to fund worker payroll could become subject to taxation. Although the term "business entity" is not defined, both SunMed and MGT would likely be deemed a "business entity". Although it is not clear, the payroll/employment services that MGT provides to SunMed could arguably fall within the meaning of a "taxable service". If my reading is correct and the transfer of funds for payroll from SunMed to MGT is subject to taxation, this would add an additional 2.5% to our payroll expense. I cannot believe that this result is intended by the legislature. It is my understanding that the legislative intent is to tax certain business services provided between unrelated third-party businesses, not to create an additional tax upon the payroll of cannabis companies who might have created separate companies solely to solve a federal banking problem.

I would urge that the legislature amend the Taxable Business Services Bill to make clear that the sales tax does not apply to the circumstance described above. I believe that this issue and need for amendment arises solely in the cannabis business arena (due to federal banking issues) and is not a specific concern of a wider spectrum of businesses. I believe that the amendment can be narrowly tailored and not have a significant economic impact on revenues from the broader business services community. A draft of a proposed amendment to address my concern is attached.

I recognize the significant revenue and budget issues that Maryland is facing. I also recognize that the legislature and citizens of Maryland have overwhelming supported the development of adult-use cannabis in the State. I do not believe that the legislature or its citizenry would intend to impose a services tax on a cannabis business related company transaction, where the transaction (payroll funds from SMG to MGT) is created solely to solve a problem arising from a federal illegality of state-legal cannabis. Indeed, the legislature specifically eliminated the disability of 280E for Maryland-filed tax returns.

Thank you for your consideration and I look forward to discussing any questions or issues that you might have.

Sincerely,
SunMed Growers, LLC

by: /s/ Jacob J. Van Wingerden
Jacob J. Van Wingerden
Manager

BY:
(To be offered in the Budget and Taxation Committee)

AMENDMENT TO SENATE BILL 1045
(First Reading File Bill)

AMENDMENT NO. 1

On page XX, after line XX, insert:

BY adding to
Article – Tax – General
Section 11-219(e)
Annotated Code of Maryland
(2022 Replacement Volume and 2024 Supplement)

AMENDMENT NO. 2

Article – Tax General

11-219.

(E) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF A TAXABLE SERVICE UNDER SECTION 11-101(M)(14) IF THE BUYER IS:

(1) A BUSINESS ENTITY THAT CANNOT DEDUCT ITS EXPENSES UNDER SECTION 280(E) OF THE INTERNAL REVENUE CODE; OR

(2) AN AFFILIATED BUSINESS ENTITY SHARING COMMON OWNERSHIP WITH A BUSINESS ENTITY UNDER PARAGRAPH (1) OF THIS SUBSECTION.

MMHA - 2025 - SB 1045 - taxable services.pdf
Uploaded by: Aaron Greenfield
Position: UNF

Bill Title: **Senate Bill 1045, Sales and Use Tax - Taxable Business Services - Alterations**

Committee: **Senate Budget & Taxation**

Date: **March 12, 2025**

Position: **Unfavorable**

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

Senate Bill 1045 would apply a 2.5% sales and use tax on select business services (using the North American Industrial Classification System Codes), if both the service provider, and the buyer, are business entities. These services would include consulting and accounting services. Legislative analysts estimate that the 2.5% sales tax on select business services below will raise approximately $1B in revenue. MMHA strongly believes that this bill will have unintended consequences that will negatively impact the residents of Maryland, particularly those who are already struggling to afford housing.

Maryland is facing a severe shortage of affordable housing units, with estimates suggesting that we need upwards of 100,000 units to meet the demand. Unfortunately, Senate Bill 1045 will only exacerbate this problem. By imposing a new tax on certain labor and services, including those related to construction and maintenance, the cost of building and maintaining affordable housing units will increase. Housing providers cannot predict or budget for reactionary services such as pest control and snow removal; adding a tax to these services will only further strain operational costs. These costs will inevitably be passed onto the residents, making it even more difficult for them to afford housing.

Furthermore, this tax will not only affect the housing industry but also other businesses that provide essential services to residents, such as accounting, bookkeeping, and consulting services. These businesses will be forced to absorb the additional costs or pass them onto their customers, which will lead to higher prices for goods and services.

MMHA urges the committee to consider the long-term consequences of this legislation and the impact it will have on the residents of Maryland. At a time when we should be working to make housing more affordable, Senate Bill 1045 will only make it more expensive.

For these reasons, MMHA respectfully requests an unfavorable report on Senate Bill 1045.

Aaron J. Greenfield, MMHA Director of Government Affairs, 410.446.1992

SB 1045 - Ada Portillo Agency.pdf
Uploaded by: Ada Portillo
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local small business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

In the past couple of years, Maryland has already previously passed plenty of legislation to increase taxation, labor wages, or other pressures on small businesses. This bill might just be the final nail in the coffin.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business and industry, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

We’ve recently had to raise rates more than once for our industry due to employment costs, overhead costs, and technology updates and costs.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

This means thousands of dollars spent on updating invoice configurations, websites, contracts, newsletters, and every pricing or marketing material imaginable. It's not just a "sticker" update—it's completely changing how a small business operates. And most of the time, they don't have the resources to do that.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

This is dangerous. As we currently struggle with rising electricity costs, eggs, rent, and other challenges that every Marylander is facing right now—the last thing we need is to put MD small businesses at a disadvantage, and create pathways to make even other essential services such as real estate and healthcare even more inaccessible. That's putting ALL Marylanders at a disadvantage.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

This additional tax burden will create business failures for all. For the business collecting tax—higher pricing will lead to less revenue and jobs. For the business needing the essential service—they may not be able to comply with the new pricing, therefore leading to gaps in their own business, putting them in vulnerable positions for bad accounting, bad IT, and other needed functions. Both the business and consumer will suffer.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Ada Portillo
Owner
Ada Portillo Agency

ARMPA Opposes MD Service Tax 2025.pdf
Uploaded by: Adam Kane
Position: UNF

Allegis
Redwood
Maxim
PUBLIC AFFAIRS

The Allegis Group, Redwood Holdings, Maxim Healthcare, and Amergis
Opposes HB 1554/SB 1045

The Allegis Group, Redwood Holdings, Maxim Health Care and Amergis oppose HB 1554/SB 1045. The tax hits harshly against our state's headquartered companies and functions as another tax on wages per its targeting of employment services, per *Section (14) (III), (IV), (V), (VI)*.

Our family of companies is the largest privately held company headquartered in the state of Maryland and it is collectively the second largest company in Maryland. The companies include some of Maryland's most iconic business brands, including Aerotek, TEKSystems, Trade Point Atlantic, Erickson Senior Living, and Maxim Healthcare. As Maryland headquartered companies, we are proud to employ over 20,000 people in the state. The State of Maryland is the staffing and professional services capital of the United States, as our enterprise is the largest such staffing and professional services company in North America.

The proposed legislation, via *Section (14) (III),(IV),(V),(VI)*, applies to over 12,000 of our jobs today in the state working in all sectors. For our company, the vast majority of what will be taxed are the wages and benefits earned by our W2 employees. The "service" of employment is approximately 80% the costs of wages, payroll expenses, and benefits paid to an employee.

As an example, a staffing firm will bill $36 per hour for a facilities and maintenance position, of which, $23 per hour is the wage, and $6.00 is the payroll expense. Thus, of the $36 per hour service tax, 80% of the tax falls on wages, benefits, and payroll expenses.

The impacted jobs include both "white collar" professions, such as engineers, software coders, clinicians, etc. as well as more location based "blue collar" professions, such as construction, health care, janitorial, food service, manufacturing, and warehouse distributions jobs.

An additional tax on wages is harmful to the state's economy is several ways, including:

(1) The additional tax on wages will make it more costly to employ Marylanders and thus reduce jobs.
(2) The more "white collar" jobs, which are often no longer location specific, will likely move out of Maryland.
(3) The additional tax on wages will fall most harshly on the "blue collar" professionals which are tied to location-based work sites. Targeting these professionals, creates significant equity issues as this service workforce is disproportionately individuals from underserved communities. Targeting wages for additional taxation creates less jobs and crowds-out wage growth potential.
(4) The service tax falls most harshly on Maryland headquartered businesses and the state's small businesses that do not have alternative locations in which to receive the benefit of the services.

7301 PARKWAY DRIVE HANOVER, MD 21076

(5) This staffing and professional services sector has a significant role in many industries that service state reimbursed services, including health care. The taxing wages of nurses, clinical services, and other healthcare workers raises the costs to Medicaid and other state programs.

Given the clear economic harm this legislation causes Maryland based businesses and burdening employees with an additional tax on wages, we urge you to vote against HB 1554/SB1045

Respectfully submitted by:

Adam Kane, Esq.

Dear Senator Hettleman,

As the owner of a small business, I'm writing to vehemently oppose the proposed sales tax on small business services.

As a freelance writer providing professional editorial services, this tax would add considerably to my cost of doing business, eroding my already thin margins. It will put me at a significant disadvantage versus competitors in Virginia and Delaware.

This new tax would impact my ability to grow the company and to potentially hire other Marylanders in support of the work.

I urge you to oppose this tax, which would make Maryland small businesses less competitive.

Respectfully,
Adam Stone
Annapolis, MD
443-822-6382

SB1045 Written Testimony 2025-03-10 - signed.pdf
Uploaded by: Adrian Simmons
Position: UNF

Adrian G. Simmons, CPA
Elements CPA LLC
324 Main Street, #159
Laurel, MD 20725-0159

10 March 2025

Chairman Guy Guzzone
Senate Budget and Taxation Committee
Maryland General Assembly
Annapolis, Maryland 21401

RE: Oppose SB 1045, Sales and Use Tax - Taxable Business Services - Alterations

Dear Chairman Guzzone and Senate Budget and Taxation Committee:

I am writing today as a lifelong resident of Maryland, a small business owner, and a CPA who has served Maryland-based small businesses for over 23 years.

And I ask that you and fellow members of the Senate Budget and Taxation Committee oppose SB 1045.

This bill is a bad idea on so many levels, some of which include:

1. ***Maryland is already struggling to attract and retain businesses compared to other states.*** Last year, CNBC ranked Maryland 47th in the *cost of doing business* and 37th in *business friendliness*. This policy will further drive business owners and innovation elsewhere, including DC, Virginia, and Pennsylvania.
2. This is especially true since so many of the services affected can be provided virtually, such as the accounting space I practice in, but also the IT space, consulting space, and more. These services are increasingly, if not dominantly, already being provided online, so ***switching providers to an out-of-state supplier is very easy.***
3. But practically speaking, ***it also disproportionately affects the small business owner***. I day-in, and day-out, (especially this time of year) talk with and serve small business owners. They are almost universally concerned about how their business is doing, the outlook for the economy, and the impact it will have on them. They have experienced dips in their revenues combined with increases in their costs. Increasing their compliance costs is adding salt to their wound.
4. Other states (Michigan in 2007 and Florida in 1987) passed similar measures, but quickly saw a backlash that resulted in repeal. ***We can learn from their mistakes and let Maryland small business owners know their legislators support them.***

Thank you for your time and consideration, and I hope you and the Committee find for "No" to SB 1045.

Sincerely,

Adrian G. Simmons

Adrian G. Simmons, CPA
301-604-3247

SB 1045 HB 1554.pdf
Uploaded by: Adrienne Geis
Position: UNF

Dear Senator Hettleman and Delegate Moon:

I read with alarm the new proposed MD Sales and Use tax on Services (SB 1045/HB 1554) and fear the implementation of this Bill would be a near-fatal blow to our company, who has done business in the State of Maryland for over three decades. As a small, minority-owned business our company provides services (primarily to public sector interests) in IT services and consulting NAICS beginning with 5415 and 5416. We currently employ approximately fifty individuals, and are Baltimore born and based. To compete in this environment, our services are provided and competed at ***very*** tight margins.

As a provider of professional IT services, it is unclear whether this tax would impact our core service offerings, how it would be implemented or collected, and to what extent the tax would apply. While most of our employees are W2, we do employ some consultants as subcontractors, and we rely on local accounting and legal firms for professional filing assistance and advice. In addition, we often have teaming arrangements with other local businesses to provide specific IT expertise and we engage as subcontractors to larger corporate entities with the same goal. Are we now to be taxed, not only on our revenue topline (which is in and of itself injurious), but also at our operating and overhead cost level as our providers and partners collect an additional 2.5% for their services as well? At my worst reading of this terrible bill, a 2.5% tax on revenues could result in the elimination of our ***entire*** margin, forcing us to move out of the City and State we have called home for the historical existence of the Company so that we can continue to operate.

We have over a dozen service business and self-employed teaming partners of all sizes who could also be impacted by this tax. This bill needs to be stopped, as it is bad for Maryland, bad for Business, and anti-Maryland growth.

Sincerely,

Adrienne Geis | Interim President
Ageis@bithgroup.com | 410-962-1188 x36
HUBZone | GSA IT-70 | CATS+ Master Contractor | MDOT MBE/DBE/SBE
Improving business and communities. Click here for our story.
www.BITHGROUP.com | 113 W. Monument St. Baltimore, MD 21201

bITHGROUP technologies

Testimony in Opposition to SB 1045 signed.pdf
Uploaded by: Aileen Eskildsen
Position: UNF

ELLIN & TUCKER

Testimony in Opposition to SB 1045

Dear Members of the Senate Budget and Taxation Committee,

I am writing to you in my capacity as a Certified Public Accountant and small business owner, to express my strong opposition to SB 1045, which proposes the imposition of a sales tax on professional services. This bill, if enacted, would have several detrimental effects on small businesses, Maryland CPAs, and the broader community. I urge you to consider the following reasons for opposing this legislation:

1. **Disadvantages for Small Businesses**: Small businesses would bear the greatest burden under a sales tax on professional services. Unlike larger companies that often have in-house accounting and legal teams to handle complex tax requirements, small businesses typically rely on outsourced services for compliance and financial management. Taxing these essential services would force small businesses to absorb higher costs or invest in additional compliance resources — diverting limited funds away from growth, innovation, and day-to-day operations. This added financial strain could reduce competitiveness, hinder expansion, and place small businesses at a distinct disadvantage compared to larger corporations.
2. **Competitive Disadvantage for Maryland CPAs**: Maryland CPAs could lose clients to firms in neighboring states that don't impose such taxes. Prospective clients may opt for out-of-state firms to avoid added fees, putting Maryland-based CPAs at a significant disadvantage. This shift in client base could lead to reduced revenue for local CPAs and potentially result in job losses within the state.
3. **Regressive Tax Burden**: CPAs serving small businesses, non-profits, and lower-income individuals will see firsthand how regressive this tax is. It forces those least able to afford professional services to pay more — or skip crucial financial guidance altogether. This regressive nature of the tax disproportionately impacts those who are already struggling financially, exacerbating economic inequality.
4. **Threat to In-State CPA Firms**: Maryland's proximity to states that don't tax professional services presents a clear threat to in-state CPA firms. If accounting services become taxable here, clients could simply take their business elsewhere. This would not only harm local CPA firms but also reduce the overall economic activity within the state, as businesses and individuals seek more favorable tax environments.

In conclusion, SB 1045 would impose significant financial burdens on small businesses, create competitive disadvantages for Maryland CPAs, and exacerbate economic inequality through its regressive nature. I strongly urge the committee to reject this bill and consider alternative measures that support the growth and sustainability of small businesses and professional services within Maryland. Thank you for your consideration.

Sincerely,

Aileen Eskildsen

Aileen Eskildsen, CPA
Managing Director and CEO
Ellin & Tucker
Baltimore, MD

2025 SB1045 Testimony Against 2025-03-12.pdf
Uploaded by: Alan Lang
Position: UNF

Testimony Against SB1045

Honorable Senators

Please enter an unfavorable report against SB1045.

I am against
- Altering the definitions of 'taxable price' and 'taxable service' for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and
- specifying the rate of the sales and use tax for certain labor and services.

At a time when Maryland is supposedly seeking more businesses to come to Maryland and is supposedly encouraging existing firms to stay, this bill exacerbates Maryland's current anti-business reputation. Placing a 2.5 percent sales tax on certain business to business goods and services, will just cause new businesses to seek out neighboring states, and make those already here to start making plans to leave the state.

Before Donald Trump became President, it was already reported that the state had a $3 billion structural deficit. Now that he has begun cutting spending and reducing the size of the federal work force, the projected Maryland budget deficit has increased. Even while the budget deficit is increasing, some want to give extra benefits to these laid-off federal workers or hire them as State employees.

Rather than consider cutting existing programs and/or delaying big ticket items such as the Educational Blueprint and the Red Line light rail, bills are being introduced to spend even more when we cannot even pay for our existing programs. Thus, bills such as this are being introduced to increase taxes or fees on virtually every business and on virtually every resident. I can see why the budget surplus was sucked dry last year rather than raise taxes and fees during an election year.

Claims that tax increases are only going to affect "the rich" and the "large corporations" are disingenuous. The non-rich will eventually pay the cost of all these tax increases with every goodor service we purchase, by being converted to part-time employees, or by being laid off as employers who cannot just increase the cost of their goods and services, reduce their labor costs, leave the state or go bankrupt.

This bill is even more onerous than some of the other bills that increase taxes. This bill lists a long list of professions and businesses that will be forced to add a 2.5 percent sales tax on all the goods and services they will provide to other businesses. There is one notable exception. This bill excludes attorneys. Many delegates are attorneys; so once again, we see another example of passing laws that do not affect many of those who write the bills (AKA rules for the teeming masses but not for the ruling elites).

Testimony Against SB1045

This bill uses the North American Industrial Classification System (NAICS) codes to identify those businesses subject to the proposed tax. The codes can be found at the following url

https://www.naics.com/search-naics-codes-by-industry/

The NAICS codes cited in the bill begin with 51, 52, 54, 56, or 81.

Attorneys are listed in section 5411, which is a code not listed in the bill, thus they are not subject to the tax.

https://www.naics.com/six-digit-naics/?v=2017&code=54

However, accountants, financial planners, and tax preparers (NAICS sections 5412 and 5239) are subject to the tax. If this bill should pass, attorneys in firms who do taxes and financial services for other companies will have a financial advantage, in that they can undercut these other groups by 2.5 percent for any bids that may have cost the same prior to the law change.

Excluding attorneys from this bill, makes this financial disaster of a bill unethical as well. So please enter an unfavorable report against SB1045

Alan Lang
45 Marys Mount Road
Harwood, MD 20776
Legislative District 30B
410-336-9745
Alanlang1@verizon.net

March 12, 2025

MBIA Letter of Opposition SB 1045.pdf
Uploaded by: Alex Andelsman
Position: UNF

MARYLAND BUILDING INDUSTRY ASSOCIATION
11825 West Market Place | Fulton, MD 20759 | 301-776-6242

March 12, 2025

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 Miller West Senate Building
Annapolis, MD, 21401

RE: MBIA Letter of Opposition SB1045 - Sales and Use Tax - Taxable Business Services - Alterations

Dear Chair Guzzone,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding SB1045-Sales and Use Tax - Taxable Business Services - Alterations. MBIA opposes the Act in its current version.

SB1045 would expand the sales and use tax business to business (B2B) services, altering definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities.

This legislation would apply new taxes to transactions between businesses for accounting, landscaping, payroll and technology services, creating significant economic challenges for Maryland's diverse business community. This proposal isn't just another tax — it's a direct hit to Maryland's small businesses. When a local restaurant, tech startup, or landscaping company has to pay more for accounting, human resources or IT support, they have two choices: raise prices on customers or cut costs elsewhere — often through job losses. That's not an economic growth strategy. It's an economic misstep.

This a potential huge increase for the construction industry, in breaking down the services that would be affected the industry could see an increase on services that are essential to operating construction in the state. This will trickle down to the consumer and increase the cost of housing. At a time when the state is embroiled with a housing crisis from both and inventory an affordability standpoint this legislation will greatly exacerbate this crisis. While this tax may provide a temporary revenue boost, its long-term consequences will outweigh any short-term gains. Higher costs for businesses mean reduced hiring, lower wages and a weaker overall economy, which ultimately leads to lower tax revenues in the future.

This tax makes Maryland a more expensive place to do business, pushing companies to consider neighboring states like Virginia and Delaware, where they wouldn't face these extra costs. We should be working to attract businesses, not driving them away. Maryland's economic future depends on policies that encourage growth, investment and job creation — not ones that make it more increasingly expensive to do business in our state.

For these reasons, MBIA respectfully urges the Committee to give this measure a un favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee

PGCOC Reponse to SB1045.pdf
Uploaded by: Alex Austin
Position: UNF

PRINCE GEORGE'S CHAMBER OF COMMERCE EST. 1924 | CELEBRATING 100 YEARS

The Honorable Guy Guzzone
Chair, Senate Budget & Tax Committee
11 Bladen Street
Annapolis, MD 21401

Re: Opposition to Senate Bill 1045 – Sales and Use Tax on Business Services

Dear Chair Guzzone, and Committee,

On behalf of the Prince George's Chamber of Commerce and the diverse business community we represent, we write to express our strong opposition to Senate Bill 1045, which seeks to expand the sales and use tax to various business services in Maryland. This bill would impose undue financial and operational burdens on businesses, particularly small and minority-owned enterprises, which are the backbone of Prince George's County's economy.

Detrimental Economic Impact

Expanding the sales and use tax to include professional services such as accounting, consulting, information technology, financial planning, and employment services will significantly increase costs for businesses of all sizes. Many of these services are essential for business operations, and this tax will ultimately be passed down to consumers, making Maryland a less competitive place to do business.

Disproportionate Burden on Small Businesses

Small businesses often rely on outsourced services to remain competitive in their industries. The proposed taxation of professional and operational support services will create additional financial strain, discouraging business expansion, hiring, and investment. Many of our small and minority-owned businesses operate on thin margins, and this new tax would further erode their ability to thrive in an already challenging economic environment.

Competitive Disadvantage for Maryland Businesses

Neighboring states such as Virginia and Delaware do not impose a sales tax on business-to-business services. This puts Maryland at a significant competitive disadvantage, potentially driving businesses to relocate or seek services outside the state, resulting in lost revenue and job opportunities. Instead of fostering an environment conducive to economic growth, this bill would create an unnecessary burden on Maryland's business community.

Negative Consequences for Workforce and Economic Development

Maryland has long been committed to fostering workforce development and economic growth. However, taxing services directly tied to business operations—such as payroll services, office support, and contractor placement—contradicts this goal. By increasing costs for businesses, this bill would likely lead to reduced hiring, job losses, and slower economic growth across industries.

Conclusion

For these reasons, the Prince George's Chamber of Commerce strongly opposes Senate Bill 1045. We urge you to reconsider this legislation and instead focus on policies that promote business growth, job creation, and a competitive economic environment in Maryland.

We appreciate your time and consideration of our concerns. We welcome the opportunity to discuss alternative solutions that support Maryland's economic development without imposing unnecessary financial burdens on its business community.

Sincerely,

Alexander K. Austin

Alexander Austin
President & CEO
Prince George's Chamber of Commerce

SB1045 OPPOSITION LETTER.pdf
Uploaded by: Alex Austin
Position: UNF

MGRA
Maryland Government Relations Association

March 10, 2025

The Hon. Guy Guzzone
Chair, Senate Budget and Taxation Committion
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: SB 1045 SALES AND USE TAX – TAXABLE BUSINESS SERVICES – ALTERATIONS - OPPOSITION

Dear Chair Guzzone and Members of the Budget and Taxation Committee,

I am writing on behalf of the Maryland Government Relations Association (MGRA) to express our strong opposition to Senate Bill 1045, titled "Sales and Use Tax – Taxable Business Services – Alterations." While we understand the state's need to explore avenues for revenue generation, we believe that this bill, which proposes a 2.5% sales tax on a broad range of business-to-business (B2B) services, is misguided and poses significant risks to Maryland's economic health.

Negative Impact on Maryland Businesses

The imposition of a sales tax on essential B2B services—including accounting, IT support, consulting, marketing, and other professional services—would disproportionately affect businesses operating within Maryland. Small businesses, in particular, would bear the brunt of this tax, as they often lack the internal resources to manage these functions and thus rely heavily on external service providers. This additional financial burden could lead to increased operational costs, reduced competitiveness, and, in some cases, business closures. The Maryland Chamber of Commerce has highlighted these concerns, noting that such a tax could be a short-term fix but a long-term problem for the state's economy.

Economic Competitiveness and Business Relocation

Implementing a tax on B2B services could make Maryland less attractive to businesses, especially when neighboring states do not impose similar taxes. This disparity could incentivize companies to relocate to states with more favorable tax environments, resulting in job losses and a diminished tax base for Maryland. The potential for businesses to move operations out of state poses a significant threat to Maryland's economic vitality.

Tax Pyramiding and Increased Consumer Costs

Taxing B2B services can lead to "tax pyramiding," where a tax is applied multiple times throughout the production process, ultimately increasing the final cost of goods and services to consumers. This cascading effect can make Maryland-produced goods and services more expensive, reducing their competitiveness in both national and international markets. Consumers may face higher prices, which could dampen demand and negatively impact the overall economy.

Administrative and Compliance Challenges

The proposed tax would introduce additional complexities in tax administration and compliance for both businesses and the state. Businesses would need to implement new accounting systems to track taxable services accurately, incurring additional costs. The state would also need to allocate resources to enforce compliance, which could offset the anticipated revenue gains from the tax.

Unintended Consequences for Professional Services

Professional services such as legal, financial, and consulting are critical to the functioning of businesses across all sectors. Taxing these services could discourage businesses from seeking necessary expertise, leading to suboptimal decision-making and potentially stifling innovation and growth. Moreover, service providers may pass on the tax to their clients, further increasing operational costs for businesses.

Recommendation

We urge the committee to reconsider the implementation of Senate Bill 1045. Instead of imposing a tax that could have far-reaching negative consequences, we recommend exploring alternative revenue-generating measures that do not disproportionately impact the business community. Engaging with stakeholders to identify more equitable solutions would be a prudent approach to addressing the state's fiscal challenges without hindering economic growth.

In conclusion, while we acknowledge the state's need to address budgetary concerns, Senate Bill 1045 is not the appropriate solution. The potential harm to Maryland's businesses, economy, and overall competitiveness outweighs the anticipated benefits of this tax. We respectfully request that the committee oppose this bill and consider more balanced approaches to revenue generation.

Sincerely,

Eddie L. Pounds
President

Unfavorable SB 1045.pdf
Uploaded by: Alex Petukhov
Position: UNF

CIRCLE OF FRIENDS, LLC D/B/A BEST SENIOR CARE
17830 NEW HAMPSHIRE AVENUE • SUITE 302 • ASHTON, MD • 20861
PHONE: (301)260-0338 • FAX: (301)260-9441 • E-MAIL: MAIL@COFLLC.COM • WEB: COFLLC

Alex Petukhov
Partner
Circle of Friends, LLC
03/10/2025

Senate Budget and Taxation Committee

RE: Opposition to Senate Bill 1045 – Sales and Use Tax – Taxable Business Services.

Dear Members of the Senate Budget and Taxation Committee,

I am writing on behalf of Circle of Friends, LLC a small home care agency serving seniors and individuals in need of personal care throughout Maryland. I strongly urge you to oppose Senate Bill 1045, which seeks to impose a 2.5% sales tax on a broad range of business-to-business services. This legislation would place an undue burden on small businesses like ours, increasing our operational costs and threatening the affordability of care for vulnerable populations.

As a home care agency, we operate on tight margins while providing essential services to seniors and individuals with disabilities. The proposed tax would add an unnecessary financial strain by increasing the cost of necessary business services such as payroll processing, accounting, legal assistance, and other professional services. These costs will inevitably be passed down to consumers, making care less accessible to those who need it most.

Additionally, this bill constitutes an unfunded mandate that disproportionately affects small businesses. Unlike larger corporations, we do not have the financial flexibility to absorb these additional costs without significantly impacting our employees, caregivers, and clients. The added tax burden will force us to reconsider hiring, wages, and even service expansion—ultimately limiting job growth and reducing the quality of care available in our communities.

Furthermore, the home care industry already faces significant regulatory challenges and workforce shortages. Instead of implementing policies that make it harder for small agencies to operate, we urge the legislature to focus on measures that support home-based care services and strengthen Maryland's healthcare workforce.

For these reasons, I respectfully request that you vote against Senate Bill 1045 and consider the severe unintended consequences this tax will have on small home care agencies and the clients we serve. Thank you for your time and consideration. I welcome the opportunity to discuss this matter further and share firsthand how this legislation will impact our business and the Maryland residents who rely on our services.

Sincerely,

Alex Petukhov
Circle of Friends, LLC:
(301)260-0338
E-mail: alex@cofllc.com

Black Landscapers Alliance- Written Testimony- OPP

Uploaded by: Alex Smith

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a group of over a dozen black owned landscaping companies, we are writing to express our strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that our businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

In addition, our own companies will now be forced to levy a 2.5% sales tax on our corporate landscaping clients that represent a large portion of our revenues leading to a cash crunch from on both sides of our operations. **This legislation would have a direct impact in our ability to hire more employees and be able to compete for existing and new business. Our industry has slim margins, and this legislation would be disastrous to many of our members.**

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm our membership.

Disproportionate Impact on Small & Minority Owned Businesses

Our businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, our businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for our businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For our member business, with fierce competition located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for my business that must track, collect, and remit this new tax. For many small businesses like mine, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

We urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Alex Smith
Founder & Executive Director
Black Landscapers Alliance

LeadingAge Maryland - 2025 - SB 1045 - taxable ser
Uploaded by: Allison Ciborowski
Position: UNF

TO: Senate Budget & Taxation Committee

FROM: LeadingAge Maryland

SUBJECT: Senate Bill 1045, Sales and Use Tax - Taxable Business Services - Alterations

DATE: March 12, 2025

POSITION: Unfavorable

LeadingAge Maryland respectfully opposes Senate Bill 1045, Sales and Use Tax - Taxable Business Services – Alterations.

LeadingAge Maryland is a community of more than 140 not-for-profit aging services organizations serving residents and clients through continuing care retirement communities, affordable senior housing, assisted living, nursing homes and home and community-based services. Members of LeadingAge Maryland provide health care, housing, and services to more than 20,000 older persons each year. We represent more than 100 affordable senior housing communities across the state.

Senate Bill 1045 would apply a 2.5% sales and use tax on select business services (using the North American Industrial Classification System Codes), if both the service provider, and the buyer, are business entities. These services would include consulting and accounting services. Legislative analysts estimate that the 2.5% sales tax on select business services below will raise approximately $1B in revenue.

When nonprofit affordable housing developers build properties financed by low-income housing tax credits (LIHTC), a for-profit subsidy is created as the property owner. These for profit LIHTC owners would be subject to the business-to-business sales tax increase when they purchase goods and services essential to property operations, including management company contracts. The primary source of income for these properties is rent collections. Rents are regulated and cannot be increased to support this increased expense. The cost will hit the property's bottom line, which has extremely thin margins. If the property cannot afford the cost of the tax, it would be passed on to its parent organization, which is a nonprofit.

Although our members are all nonprofit organizations, some of the individual housing communities under a nonprofit organization are structured as limited liability companies (LLCs). For example, Low-Income Housing Tax Credit properties are always structured as LLCs, and as such would be required to pay this increased tax on certain goods and services. Rents at these communities are set well below market rates and are part of a carefully structured budget to ensure the community can remain viable and remain affordable for the older adults who call them home. Increases in costs cannot simply be passed on to the consumer, as they can for many other business entities.

Senior affordable housing providers operate on fixed and limited budgets, often reliant on federal, state, and local funding sources to ensure that rent remains affordable for seniors living on modest incomes. This legislation would impose a new and unnecessary financial burden by taxing essential business services that we rely on to remain financially stable and compliant with government regulations. These include:

- Consulting Services: Affordable housing providers frequently engage consultants to navigate complex funding programs, secure compliance with HUD and state regulations, and develop strategies to expand much-needed senior housing options. Taxing these services increases costs and could deter providers from obtaining essential expertise.
- Accounting Services: Affordable housing providers require specialized accounting services to manage federal housing subsidies, tax credit financing, and state-administered funding. A sales tax on these services would divert critical resources away from direct housing support and senior services.

Maryland is facing an affordable housing crisis, particularly for low-income seniors on fixed incomes. This legislation would exacerbate financial pressures on providers, forcing difficult choices between raising rents, cutting services, or delaying essential maintenance—all of which would harm the very seniors we are committed to serving.

While we oppose the broad application of this tax, at a minimum, we urge the committee to consider exempting senior affordable housing providers and nonprofit housing organizations. Exemptions exist in other areas of tax policy to support affordable housing initiatives, and a similar exemption here would prevent an undue burden on housing providers serving Maryland's most vulnerable populations.

Maryland must continue to support affordable senior housing by ensuring that housing providers are not burdened with new financial barriers that make it harder to fulfill our mission.

For these reasons, LeadingAge Maryland respectfully requests an unfavorable report on Senate Bill 1045.

For more information, please contact Aaron Greenfield at 410.446.1992 or aaron@agreenfieldlaw.com

HB 1554 SB 1045.pdf
Uploaded by: Amanda Haddaway
Position: UNF

HR Answerbox strongly opposes HB 1554/SB 1045, a proposed 2.5% tax on essential business services. As a firm dedicated to supporting small businesses with HR consulting, compliance, and workforce strategy, we see firsthand how this tax would impose an undue burden on already strained business owners. We are submitting testimony not only for ourselves but also on behalf of the small businesses we represent—businesses that would be directly impacted by these added costs. I also serve as a board member at the Frederick County Chamber of Commerce, and I have heard from many members that this would be catastrophic to their operations.

This bill would tax critical business services that small businesses rely on, including:

- HR and compliance consulting
- Accounting and bookkeeping services
- IT support and software services
- Marketing and advertising
- Administrative support and outsourcing

How This Tax Will Hurt Small Businesses:

- **Increased Financial Strain:** Many small businesses already operate on tight margins. A business spending $200,000 annually on these services would face an additional $5,000 in taxes—money that could have been used for hiring, benefits, or growth.
- **Competitive Disadvantage:** Maryland businesses will be forced to absorb costs that their competitors in neighboring states do not face, making it harder to compete. Frederick is within 20 miles of West Virginia, Virginia and Pennsylvania. This would cause many Maryland-based businesses to work with vendors outside of Maryland.
- **Risk of Expansion:** Historically, once these tax structures are in place, they expand, leading to more services being taxed and higher rates in the future.

At a time when small businesses are still navigating inflationary pressures, labor shortages, and increased regulatory demands, this tax would make it even more difficult to run and grow a business in Maryland. For the stability of the small business community, you must reject HB 1554/SB 1045 and protect Maryland's small business community.

Sincerely,

Amanda Haddaway
Managing Director, HR Answerbox
12509 Legore Bridge Rd., Woodsboro, MD 21798
703.338.7176

HB1554_SB1045 Talbot Chamber Testmony in Oppositio
Uploaded by: Amy Kreiner
Position: UNF

TALBOT COUNTY
CHAMBER OF COMMERCE

101 MARLBORO AVENUE, SUITE 53, EASTON, MD 21601

March 10, 2025

Testimony of Amy Kreiner,
President, Talbot County Chamber of Commerce
House Bill 1554/Senate Bill 1045 – Maryland Sales and Use Tax - Taxable Business Services

Committee Hearing Date: Wednesday, March 12, 2025

Senator Shelly Hettleman
James Senate Office Building, Room 203
11 Bladen Street
Annapolis, Maryland 21401

Delegate David Moon
350 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Honorable Chair and Members of the Committee,

My name is Amy Kreiner, and I am the President of the Talbot County Chamber of Commerce. I am here today to express our strong opposition to **HB 1554/SB 1045**, which proposes the expansion of Maryland's Sales and Use Tax to include taxable business services.

The Talbot County Chamber of Commerce represents over [640 businesses in our community, ranging from small, family-owned operations to larger employers. The businesses we serve are vital to the local economy, providing jobs, services, and resources that contribute to the well-being of our residents. However, the proposed legislation would impose an additional financial burden on these businesses, particularly small businesses, that could have serious negative consequences for their growth, sustainability, and overall economic impact.

Impact on Small Businesses
Small businesses in our area are already struggling to recover from the effects of the pandemic and ongoing inflationary pressures. The expansion of the sales tax to include business services such as marketing, accounting, legal counsel, and IT support would place a heavy strain on businesses with narrow profit margins. These services are essential to the operation and success of businesses across all industries. The added cost of these services would be a significant burden, especially for smaller businesses that are already operating with limited resources.
The complexity of complying with new tax rules would also place a significant administrative burden on business owners who are already juggling multiple responsibilities. Tracking and reporting taxable services would require additional time, effort, and resources, detracting from core business operations and diverting attention from growth strategies and customer service.

Competitive Disadvantage for Maryland

One of the most concerning aspects of this bill is the potential to place Maryland businesses at a competitive disadvantage compared to those in neighboring states. In Delaware, for example, there is no sales tax, which already makes it an attractive option for businesses in close proximity to Maryland, particularly on the Eastern Shore. The expansion of Maryland's tax base to include business services could drive businesses across state lines in search of more favorable tax environments, further undermining Maryland's competitiveness in the region.
Moreover, this could harm our ability to attract new businesses to Maryland, which we should be focusing on instead of creating obstacles to their success. As businesses look to establish or expand their operations, tax policies will play a crucial role in their decision-making. Adding taxes to essential business services could make Maryland less attractive as a place to do business, putting our local economy at risk.

Economic Slowdown
Expanding the sales tax to include business services also has the potential to harm employment in Maryland. Many businesses rely on professional services to maintain their operations, from marketing agencies to legal and financial consultants. The added costs could lead some businesses to reduce their spending on these services, which would, in turn, reduce demand for service providers and potentially result in job losses in sectors already struggling to recover from the pandemic's effects.

Additionally, as businesses face higher operating costs, they may delay or cancel plans to hire new employees or expand their operations, further slowing economic recovery and growth.

Alternative Solutions
Rather than imposing new taxes that place undue pressure on our local businesses, we urge the Committee to explore other ways to strengthen Maryland's fiscal situation. There are numerous opportunities to improve tax efficiency without harming the business community, such as closing loopholes, reducing wasteful spending, or exploring other revenue sources that do not disproportionately impact small businesses.
The Talbot County Chamber of Commerce strongly believes that we must focus on creating a tax environment that encourages business growth and job creation, rather than one that stifles innovation and burdens small businesses with additional costs.

In conclusion, the Talbot County Chamber of Commerce urges the Committee to **oppose HB 1554/SB 1045** and reject the proposal to expand the Maryland Sales and Use Tax to include business services. The negative economic impact of this measure on Maryland's businesses—particularly small businesses—would be significant, and we believe there are better ways to address the state's fiscal needs without compromising the growth and vitality of our business community.

Thank you for your time and consideration. I am happy to answer any questions you may have.

Sincerely,

Amy Kreiner

Amy Kreiner
President
Talbot County Chamber of Commerce
amy@talbotchamber.org
443-790-7680

MHLA

Maryland Hotel
Lodging Association

Testimony in Opposition to Senate Bill 1045

Sales and Use Tax - Taxable Business Services - Alterations

Budget and Taxation Committee – March 12, 2025

The Maryland Hotel Lodging Association (MHLA) is the sole statewide trade association advocating for Maryland's hotel industry, which consists of 750+ hotels and employs over 27,000 individuals. The industry generates $2.4 billion in state and local taxes, $7.2 billion in total wages and salaries, and $10.6 billion in spending by hotel guests, significantly contributing to Maryland's economy.

> **The Maryland Hotel Lodging Association (MHLA) strongly opposes SB 1045.** The bill proposes a 2.5% sales tax on many business services utilized by Maryland hotels. This increased expense to operate would lessen our industry's competitiveness, threaten economic growth of Maryland's lodging industry, and negatively impact local businesses.

Hotel occupancy in Maryland has not returned to pre-pandemic levels. Although top-line revenue at hotels has marginally increased over the last few years, it has not matched the level of inflation related to all the other expenses that our members have had to absorb. In addition to record increases in labor and payroll expenses, hotels are challenged with increases in energy costs, coming into compliance with BEPS, insurance and professional expenses and inflationary costs due to market and supply chain factors for guest and operating supplies as well as all aspects of food and beverage supply and delivery.

The AHLA 2025 State of the Industry Report shows that hotel growth is flattening, which is alarming as property level costs continue to rise faster than revenues, making it challenging for small business hotel owners to stay open and serve guests. A 2.5% tax on far-reaching business services captured by SB 1045 and broadly used by hotels – as partially listed below - will only serve to exacerbate these challenges.

- Accounting, bookkeeping, payroll services
- Revenue management
- Third party staffing services
- Data or IT services
- Consulting
- Photography, furniture design or printing service
- Lobbying, public relations, or marketing services
- Landscaping and nonresidential building or property maintenance service
- Automotive repair and maintenance
- Commercial and Industrial Machinery and Equipment Repair and Maintenance
- Financial planning or tax preparation services
- Valet or parking services

Rather than imposing new financial burdens on the business community, Maryland should adopt policies that help job creators to maximize competitiveness and drive long-term economic growth.

We urge an unfavorable report on SB 1045.

Respectfully submitted,
Amy Rohrer, President & CEO
Maryland Hotel Lodging Association

Why Baltimore can't just sell the Hilton Inner Har

Uploaded by: Amy Rohrer
Position: UNF

THE BALTIMORE BANNER

No, Baltimore can't just sell the Hilton Inner Harbor because it's losing money

Giacomo Bologna and Adam Willis

1/5/2024 5:30 a.m. EST

The Hilton Baltimore Inner Harbor has been losing money. Mayor Brandon Scott has floated the idea of selling, but any transaction would be complicated. (Kaitlin Newman/The Baltimore Banner)

Baltimore's top officials met last month and went over city spending as though they were ticking items off their weekly grocery list. Funding a community garden? Check. Reimbursing employees for travel costs? Check.

Sinking another $1 million into a city-owned hotel that's been bleeding money for years? Check.

When Mayor Brandon Scott floated the possibility of selling the Hilton Baltimore Inner Harbor at a news conference after the spending board meeting, the idea drew cheers outside City Hall. "SELL SELL SELL," urged one Orioles fan, while a chorus of others suggested demolishing the hotel, which blocks the view of downtown — particularly the Bromo Seltzer Arts Tower — from Camden Yards.

Unfortunately for Orioles fans and city budget writers, it's not that simple. Selling the Hilton could trigger a much bigger financial loss because Baltimore is still paying back the money it borrowed to build the hotel.

That's thanks to a plan championed by former Mayor Martin O'Malley and other city officials. Under his administration, the city sold about $300 million in bonds to finance the design and construction of the 757-room complex, which opened in 2008.

Property taxes and lodging taxes generated by the Hilton are supposed to pay back this debt. Lately, the hotel hasn't generated enough tax revenue to cover those payments and has been depleting its reserve funds. Since the start of the pandemic, the city has kicked in more than $18.5 million to keep the hotel afloat, with another $7 million currently budgeted. The hotel reported receiving $6.5 million in COVID relief funds in 2021 and 2022 — which doesn't include the $1 million approved in December.

By mid-2024, taxpayers will have pumped at least $33 million into the Hilton since 2020.

O'Malley and others believed the Hilton would drive revenues for the city-owned convention center next door and eventually return a profit for the city, but the hotel has never met expectations. Talk of its sale has bubbled up every few years.

City officials considered selling the hotel in 2013 but backed down after consultants found it would be hard to find a buyer that would cover the hotel's extensive debt. The consultants projected the city would lose as much as $90 million on such a deal, The Baltimore Sun reported at the time.

In 2015, a surging Orioles team attracted its most fans in over a decade, but the Hilton kept losing money, prompting then-City Council President Jack Young to suggest a sale.

Read more coverage of downtown:

- **As Baltimore sends more money to city-owned hotel, mayor is 'open' to selling**

- [Baltimore Hilton hotel faces ‘catastrophic structural failures’ if pipes aren’t fixed]
- [City panel says Baltimore isn’t rushing the Harborplace redevelopment]

The Hilton refinanced its bonds in 2017 and lowered its annual debt payment. Then the pandemic hit, dealing a severe blow to Baltimore’s hospitality industry. Since then, the Hilton has been emptying its pockets to find enough money to repay bondholders.

And there’s a lot of debt left to go.

Under its agreement with bondholders, the hotel owes roughly $250 million that’s expected to be repaid over the next two decades. Trying to pay back these bonds early would typically incur a penalty.

But Matt Fabian, a partner at Connecticut-based Municipal Market Analytics, said there is a benefit to operating a struggling hotel — bondholders might want to get out of this deal, too.

The Hilton has never defaulted on its payments, but it is considered a distressed project by investors.

“This could be an opportunity,” Fabian said.

Given the hotel’s uncertain financial future, bondholders might be happy to get their money back now with a relatively small fee, Fabian said.

Even if the city could broker a deal with bondholders, Baltimore would need to find someone who wants to buy the hotel. That could be hard.

According to Daryl Cronk, director of hospitality analytics at the hotel data firm STR, there's been a significant slowdown in hotel sales nationally. With higher interest rates and tighter lending standards, fewer deals are being struck, Cronk said.

After the pandemic, the strongest markets for hotels have been in resort locations, Cronk said, while urban hotels have been slower to rebound.

If Baltimore found someone interested in buying the Hilton, the next step would be to negotiate a sale price.

Before he started teaching finance full time at Loyola University Maryland, it was Scott Emge's job to figure out the value of businesses, including hotels.

Valuations are often based on sales of comparable properties or industrywide data on investment returns, said Emge, an accountant and former chief financial officer. But, in lieu of that information, sometimes people use back-of-the-envelope math. A common, albeit rough, valuation method for hotels is to multiply the number of rooms by a hotel's average daily room rate, then multiply that number by a thousand.

That would put the Hilton's value at $145 million, based on 2022 data. The figure is not far from the state's guess.

It listed the hotel's value at $168 million in its latest property assessment.

That's about $100 million short of the $250 million worth of outstanding debt on the Hilton, and there are yet more factors that could complicate a deal.

As of the end of 2022, the city owed $5 million to the Hilton Hotel Corp., according to bondholder disclosures. The Hilton also needs to replace corroding pipes throughout the complex after the original builders used steel instead of copper piping.

Still, Scott suggested after last month's spending board meeting that he'd consider selling the hotel as the city pursues ambitious plans to revamp downtown.

"We are open to anything," Scott said. "I'm quite open to someone coming and operating that hotel and not having the city operate it."

Asked about the property again later in December, Scott said he has no specific plans for offloading the hotel. For now, Baltimore is effectively stuck pumping millions of dollars into the Inner Harbor hotel and praying that its tourism industry takes off.

The Hilton is overseen by the Baltimore Development Corp., the city's economic development wing. President and CEO Colin Tarbert said he's focused on the hotel's future and growing its business.

"Now that the hospitality industry is recovering, the hotel will also recover," Tarbert said.

But Tarbert also argued that Baltimore needs to double down on its convention center business, the primary driver of revenues for the Hilton Inner Harbor.

“Baltimore continues to lose major ground in the convention business. Without a major upgrade to the Convention Center, the Hilton cannot perform,” Tarbert wrote in an email. “No one will want to buy it. It cannot perform on leisure travel alone.”

Correction: This article has been updated to correct the title of Colin Tarbert. He is the President and CEO of the Baltimore Development Corp.

SB1045_Letter_3.10.25.pdf
Uploaded by: Andrea Kraft
Position: UNF

The CHAMBER
ALLEGANY COUNTY, MD

The Bell Tower Building
24 Frederick Street | Cumberland, MD 21502
p: 301-722-2820 | f: 301-722-5995
info@alleganycountychamber.com | www.alleganycountychamber.com

March 10 , 2025

The Honorable Guy Guzzone
Budget & Taxation Committee
3 West Senate Office Building
Annapolis, Maryland 21401

Re: SB1045 – Sales and Use Tax – Taxable Business Services - Alterations

Dear Chairman Guzzone and Members of the Committee:

The Allegany County Chamber of Commerce (the Chamber), which represents more than 300 companies, corporations, and non-profits in Allegany County Maryland, would like to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes
Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among some neighboring states. Pennsylvania, Virginia, and Delaware (in some instances) do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For our members near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

The CHAMBER
ALLEGANY COUNTY, MD

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Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Sincerely,

Juli McCoy
President & CEO
juli@alleganycountychamber.com

cc: Allegany County Delegation

SB 1045 Will Hurt My Business.pdf
Uploaded by: Andrew Akers
Position: UNF

BOLD SOLUTIONS.
EXCEPTIONAL SUPPORT.℠

3.10 2025
MD State Legislature

Re: SB 1045 – Business Services Tax

This proposed tax will negatively impact my business which is already suffering with the chaos in DC and additional county taxes. We need tax relief, not additional taxes. Please understand, this is a spending issue – not a revenue issue for the state. Find the funds you need by cutting programs that do not effectively impact the betterment of the residents of the state.

If you have any questions, feel free to contact me at 301-589-3305.
Sincerely,

Managing Partner
ACRE Graphics LLC

HCCC_SB 1045_UNFAV.pdf
Uploaded by: Andrew Griffin
Position: UNF

HOWARD COUNTY CHAMBER

March 12, 2025

Legislative Position: Unfavorable
Senate Bill 1045
Sales and Use Tax - Taxable Business Services - Alterations
Senate Budget and Taxation Committee

Dear Chairman Guzzone and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county's business community.

The Howard County Chamber of Commerce strongly opposes SB 1045. We are deeply concerned about its negative impact on our local businesses—especially small businesses—as well as the unintended consequences of tax pyramiding and the broader economic harm it would cause.

Negative Impacts on Small Businesses

Small businesses are the backbone of our economy, providing jobs, fostering innovation, and contributing significantly to our communities. SB 1045 would impose an undue financial burden on small businesses by introducing new tax obligations that many simply cannot afford. Unlike larger corporations with dedicated legal and financial teams to navigate increased tax complexities, small businesses operate on much tighter margins and lack the resources to absorb these additional costs. The increased tax liability will force many small businesses to reduce investments.

Tax Pyramiding Concerns

SB 1045 would create a cascading tax effect, commonly known as tax pyramiding. This occurs when a tax is applied at multiple levels of the supply chain, causing costs to compound as goods and services move through production. Ultimately, these increased costs are passed down to consumers, making everyday goods and services more expensive. Maryland businesses already operate in a competitive regional economy, and this additional tax burden would put them at a significant disadvantage, driving up costs and potentially forcing businesses to relocate to more tax-friendly jurisdictions.

Economic Consequences

At a time when Maryland businesses are still recovering from economic disruptions and ongoing inflationary pressures, SB 1045 would deliver a devastating blow to our state's economy. Increased operational costs and reduced business investments would lead to slower job growth, wage stagnation, and a decline in Maryland's overall business climate. Rather than fostering economic expansion, this legislation risks discouraging entrepreneurship and investment, making Maryland less attractive to new businesses looking to establish themselves here.

Conclusion

For these reasons, the Howard County Chamber of Commerce strongly urges the Committee to **reject SB 1045**. This bill would have far-reaching negative consequences for small businesses, exacerbate tax pyramiding, and hinder economic progress. We encourage lawmakers to explore alternative policies that support—not hinder—Maryland's businesses and economic competitiveness.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce

SB 1045 Opposition Testimony.pdf
Uploaded by: Andrew Leonard
Position: UNF

Senate Bill 1045
Date: March 9, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. As a business offering services that would be taxed under this proposal, it would put my company at a huge disadvantage. Many of our services can be provided remotely from other states and even other parts of the world. You will just be encouraging my customers to seek service providers outside of Maryland instead of my business. For some of my customers, you would be encouraging them to bring the functions in-house, hurting my business by reducing our revenue and even resulting in a result contrary to the goal of increasing tax revenue. This is true for many of the services you are seeking to tax and it will lead to businesses like mine simply moving outside of Maryland, keeping their same customers, and reducing Maryland’s taxable base.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Andrew Leonard
President
BL Technical Services, Inc.

SB1045.OPPOSE.pdf
Uploaded by: Angela Rose
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As the President and CEO of the Harford County Chamber of Commerce, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. The Harford County Chamber of Commerce represents over 615 businesses/organizations, which reflects over 20,000 employees. An overwhelming majority of our membership states that SB 1045 will negatively impact their operations and have adverse effects on their sustainability. In addition to having to pass this tax onto consumers due to diminishing profit margins, many members express the added burden of administrative costs as a negative impact of SB 1045.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

- **Disproportionate Impact on Small Businesses**
- **This legislation Will Result in Pyramiding Taxes**
- **Competitive Disadvantage in the Region**
- **Administrative Burden and Compliance Costs**
- **Dangerous Precedent for Future Taxation**
- **Cascading Tax Effect**

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

On behalf of the Harford County Chamber of Commerce's Board of Directors and members, I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Angela M. Rose
President & CEO

108 South Bond Street
Bel Air, Maryland 21014
Ph. 410.838.2020 | Fx. 410.893.4715
www.harfordchamber.org

HB 1554 - Testimony.pdf
Uploaded by: Angela Vazquez
Position: UNF

House Bill 1554
Date: March 9, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As a local business owner for Riveter Management Group, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Riveter Management Group located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Angela Vazquez
Owner
Riveter Management Group

CPA Testimony for HB1554 - SB1045.pdf
Uploaded by: ANNA Douglas
Position: UNF

House Bill 1554 / Senate Bill 1045
Date: March 10, 2025
Committee: House Ways and Means Committee / Budget and Taxation Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As a local business, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Watley & Associates located in your state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Watley & Associates

Watley & Associates, a CPA firm

Senate Bill 1045.pdf
Uploaded by: Anna Golubchyk
Position: UNF

Senate Bill 1045
Chair Guy Guzzone
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Legislators:

I am writing to strongly **OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations.** As the **Agency Director of HomeCentris Personal Home Care**, I oversee the provision of essential home care services to elderly and vulnerable residents throughout Maryland. Our agency is a **Medicaid provider**, dedicated to ensuring that individuals in need receive compassionate and reliable care in the comfort of their homes.

Implementing a sales tax on business services, as proposed in this bill, would **significantly impact our ability to operate efficiently** and continue delivering high-quality care. Increased operational costs would ultimately **limit our capacity to serve those who rely on our care the most**, including low-income and underserved individuals. Furthermore, it would place an additional financial burden on small businesses like ours, threatening the stability of our services.

We are committed to **supporting Maryland's most vulnerable populations** and maintaining a sustainable care model. However, this bill could force us to **reduce services, limit employment opportunities, or pass higher costs to consumers** — all of which would negatively impact the very people we strive to protect.

I urge you to consider the **long-term consequences** of this bill and **vote against it** to ensure that Maryland's elderly and vulnerable communities continue receiving the care and support they deserve.

Thank you for your time and consideration.

Anna Golubchyk

Agency Director - Montgomery County and Western Maryland

HomeCentris Personal Home Care, LLC

953 Russell Avenue Suite D

Gaithersburg MD 20879

Office: 240-246-7078 ext. 126

SB 1045.pdf
Uploaded by: Anthony DiNenna
Position: UNF

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
House Budget and Taxation Committee
March 12, 2025
Legislative Position: UNFAVORABLE

Dear Chair Guzzone and Members of the Committee,

My name is Anthony DiNenna, and I am a CPA in Annapolis/Anne Arundel. I am writing to express my strong opposition to SB 1045, which would impose sales tax on a wide range of business-to-business (B2B) services, including accounting and tax services.

This proposal is deeply concerning because of the following:

- Increases costs for businesses. Taxing essential services like accounting and tax compliance creates a pyramid effect, where businesses pay tax on services used to run their operations, ultimately driving up prices for consumers.
- Hurts small businesses and startups. Many small businesses rely on professional services to stay compliant with tax laws and financial reporting. Adding a sales tax burden makes it harder for them to compete and grow.
- Creates compliance challenges. Tax professionals already work to ensure businesses meet complex state and federal tax requirements. Applying sales tax to these services only adds unnecessary administrative burdens.
- Weakens Maryland's business competitiveness. Other states that have considered taxing professional services have faced strong backlash or repealed such measures due to their negative economic impact. This bill would put Maryland at a disadvantage compared to neighboring states.
- It drives business to neighboring states where these services are not taxed.

For these reasons, I respectfully urge an UNFAVORABLE report on SB 1045. Maryland businesses should not be penalized for seeking professional expertise to remain compliant and financially healthy.

Thank you for your time and consideration. I appreciate your service to our state and would be happy to discuss this issue further.

Sincerely,

Anthony DiNenna

TONY@DLCPA.ORG

Testimony of Ashley Bent SB 1045.pdf
Uploaded by: Ashley Bent
Position: UNF

Testimony of Ashley T. Bent on behalf Grandizio, Wilkins, Little & Matthews, LLP
Opposition to SB1045 – Sales and Use Tax on Business Services
House Ways & Means Committee
March 12, 2025

Legislative Position: UNFAVORABLE

Members of the Committee,

My name is Ashley T. Bent, and I am a Certified Public Accountant (CPA) with over 9 years of experience in the accounting profession. Grandizio, Wilkins, Little & Matthews, LLP ("GWLM") is a Public Accounting firm employing over 45 individuals with offices in Hunt Valley and Millersville, MD and has been in existence since 1986. We work with thousands of small businesses across each of Maryland's counties, providing essential accounting and financial services that help them navigate complex tax and regulatory environments. We strongly oppose HB1554, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, financial planning, and consulting services. This bill will have significant negative consequences for Maryland businesses, professionals, and the broader state economy.

A Competitive Disadvantage for Maryland Businesses

The vast majority of Maryland's population and businesses are within an hour or less of states that do not impose such a tax. By implementing this tax, Maryland will place its businesses at a distinct competitive disadvantage. Companies will seek professional services in neighboring states, where they can avoid the additional tax burden. Given that many accounting services are now provided virtually, businesses will have little incentive to retain Maryland-based service providers when they can access the same expertise from tax-free jurisdictions just across the border.

Economic Impact and Additional Financial Burden

Taxes on businesses ultimately get passed down to the individual. Over the past five years, Maryland businesses and residents have faced extreme cost increases across numerous sectors. Additionally, recent federal budget cuts have significantly impacted Maryland due to our proximity to Washington, D.C., and the high number of federal contractors and employees in the state. Imposing a tax on essential business services would only exacerbate these financial pressures and create further economic instability.

Maryland's Track Record of Tax Policy Challenges

Past tax policy changes in Maryland have demonstrated the risks of poorly implemented tax structures. The pass-through entity (PTE) tax, for example, was mishandled and created undue burdens in both its initial implementation year and subsequent years. The latter was due, in large part, to a high volume of inaccurate tax notices issued by the state, resulting in confusion and administrative costs for businesses and tax professionals. HB1554 risks repeating these same mistakes, further eroding confidence in Maryland's tax policy administration.

Higher Costs, Reduced Business Revenue, and Economic Decline

For GWLM and many of our clients, this tax will increase operational costs. Some businesses may attempt to absorb the additional expense, impacting their bottom line, while others may have no choice but to pass it on to customers. Either way, Maryland businesses will suffer competitive disadvantages compared to those in states without this tax.

As businesses shift their service needs to providers outside of Maryland, we will see a decline in tax revenue over time, undermining any short-term gains the state hopes to achieve with this measure. The long-term impact will be a weakening of Maryland's economy, as businesses relocate or restructure to minimize their tax burden.

Conclusion: A Harmful and Short-Sighted Tax Policy

HB1554 is fundamentally flawed and will cause long-term harm to Maryland's economic growth and competitiveness. Instead of imposing additional financial burdens on businesses, lawmakers should focus on policies that promote economic expansion and job creation. For these reasons, I strongly urge the committee to issue an **UNFAVORABLE** report on HB1554.

Thank you for your time and consideration.

Ashley T. Bent, CPA on behalf of Grandizio, Wilkins, Little & Matthews, LLP

UPS Testimony SB1045 Amend.pdf

Uploaded by: Axel Carrion

Position: UNF

Testimony to the Maryland Legislature

Budget & Taxation

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations

March 11, 2025

Honorable members of the Budget & Taxation Committee, thank you for the opportunity to submit testimony on Senate Bill 1045 - Sales and Use Tax - Taxable Business Services – Alterations. UPS strongly requests amendments to this bill, specifically as it relates to a tax on repairs to trucks/towing and IT services. UPS is the largest Teamster employer in the country, owning a fleet of over 125,000 vehicles across the world with almost 2,500 located here in Maryland and supported by over 10,000 employees working throughout the state. UPS appreciates the legislatures efforts in looking for creative solutions to generate revenue for the State. Although UPS would be impacted by the numerous services included in the bill, UPS strongly requests an amendment specific to an exclusion on truck repair/towing services, along with IT services from the proposed 2.5% business to business service sales tax.

Unlike many of the services identified in this bill which are broadly applied to businesses across many sectors, a proposed tax on labor for repairs, maintenance services and towing are targeted uniquely to the transportation industry which already pay high taxes and fees. Senate Bill 1045 bill singles out heavy truck repair and compliance requirements which increases our operational costs, ultimately to be passed down to our customers. A tax on local trucking is a tax on the Maryland communities that rely on UPS for deliveries, including medicine and other essential goods. Any increase in package delivery cost places more financial burden on low and middle income communities that may have no other way to receive goods other than by truck.

UPS is also concerned with the impact on our Timonium facility from a tax on IT services. The Timonium facility is staffed by approximately 350 highly compensated IT professionals who work with various IT vendors for software customization services. The jobs connected to these products could shift and be absorbed by our much larger IT centers located in New Jersey or Georgia.

In conclusion, while it is essential for the state of Maryland to meet its stated financial revenue targets, implementing a sales tax on these services, specifically on truck repair/towing and IT services, would have significant negative implications for the Maryland economy and its residents who rely on goods movement via truck. I urge the committee to consider these potential consequences and amend the bill for all the reasons aforementioned.

Thank you for your time and consideration.

Sincerely,

Axel Carrion

Axel Carrion
Vice President – State Public Affairs
UPS
(c) 732-336-0377

SB1045NCW.pdf
Uploaded by: Barry Glassman
Position: UNF

Nature's Care & Wellness

March 10, 2025

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
Annapolis, MD 21401

RE: **Senate Bill 1045 – Sales and Use Tax – Taxable Business Service - Alterations**
Favorable with Amendment

Dear Chair Guzzone and members,

Please be advised that my client Nature's Care and Wellness is **opposed** to the proposed increase outlines in SB 1045. Nature's Care and Wellness was formed in 2014 and became the ninth dispensary opened in January of 2018 and employs 68 employees. After the investment of considerable capital and conversion fees, NCW added recreational cannabis sales as one of Maryland's independently owned and operated dispensaries.

Senate Bill 1045 increase the cost of vendor services specified in the legislation. Many of the services are used by small businesses. The Bill represents a tremendous anti small business increase in expenses.

NCW recommends an **unfavorable** report on Senate Bill 1045.

Thank you for your review and consideration.

Sincerely,

Bobby Windsor

Opposition to SB1045.pdf
Uploaded by: Bette Shepherd
Position: UNF

Opposition to SB1045 – Taxable Business Services

I oppose SB 1045. This tax will ultimately be paid by consumers and will just add more bookkeeping headaches to local small businesses. My company D&S Green Services installs geothermal HVAC Systems. We are a very small business so we contract services from other companies and pass those cost onto our customers with no markups. If we have to pay 2.5% sales tax on these services, we will have to pass that cost onto our customers since we do not have any added markup on them to absorb the sales tax expense.

Not only will the cost be passed on to the consumer but the additional bookkeeping expense will decrease our profit margin and therefore decrease the taxable income available to the state.

Senate Bill 1045 Testimony 3-2025.pdf
Uploaded by: Bill Christopher
Position: UNF

DORCHESTER
Chamber of Commerce

DORCHESTER CHAMBER OF COMMERCE, INC.
306 High Street, Cambridge, MD 21613
410-228-3575
info@dorchesterchamber.org
www.dorchesterchamber.org

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organization, we write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For [my business/our members] located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.
Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.
Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

We urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Thank you for your consideration. If you have any questions, please do not hesitate to contact me.

Sincerely,

William A. Christopher
President/CEO
bill@dorchesterchamber.org
443-280-0185

SB 1045 Letter.pdf
Uploaded by: Bill Packo
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business of almost 40 years, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

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Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

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Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

William Packo
Owner
Towson Turtle, Inc DBA Barley’s Backyard Uptown
408 York Rd
Towson, MD 21204

Delegate letter2.pdf

Uploaded by: Blake Ulam

Position: UNF

Senator Hettleman and the Budget and Taxation Committee,

I strongly oppose SB1045 and the negative effects it will have on Marylanders. I am a CPA, and partner in one of the last Mid-sized independent public accounting firms that Maryland has left. SB 1045 will negatively accountants and small businesses in our state. Small businesses rely on CPA firms for their accounting and tax compliance needs. Since covid, the cost for these services have greatly increased for small businesses due to regulation, talent shortages and the entry of national CPA firms into our market.   Increasing the cost of accounting services even more will hurt business for both the CPA firm and their small business client, with the end result leading to higher prices for their customers…the MD taxpayers. By making these services more expensive in MD than all of our surrounding states will put MD CPA's and other accounting professionals at a competitive disadvantage. When work is lost to out of state firms, MD firms will be forced to downsize staffing or not be able to pay the salary rates that out for state firms will be able to offer, thus eroding MD's tax base. Other states FL and MI have tried similar taxes, only to have to repeal them shortly after because they caused backlash, opposition and chaos.   Also the proposed law, magically excluded legal services from this new tax. It's obvious that lobbyists for the lawyers have substantial influence and control of our politicians in our State.

I hope you will not advance this terrible legislation, as if it passes MD loses revenue, MD loses jobs, and MD losses businesses.

Sincerely,

Blake Ulam, CPA

Partner – Weyrich Cronin & Sorra

Washington Gas
A WGL Company

1000 Maine Avenue, SW | Suite 700 | Washington, DC 20024 | **www.washingtongas.com**

COMMITTEE: BUDGET AND TAXATION

TESTIMONY ON: SENATE BILL 1045: SALES AND USE TAX - TAXABLE BUSINESS SERVICES - ALTERATIONS

POSITION: OPPOSE

HEARING DATE: WEDNESDAY, MARCH 12TH AT 3:00 P.M.

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **OPPOSITION** to SENATE BILL 1045 (SB 1045)

Overview

Washington Gas strongly opposes Maryland Senate Bill 1045, which proposes an expansion of the state's sales and use tax to additional business-to-business (B2B) purchases, including critical operational expenses for our utility infrastructure. The passage of this bill would result in an estimated $4.7 million in new sales tax liabilities on our B2B purchases based on our 2024 calendar year activity. This additional financial burden threatens to increase costs which will ultimately impact Maryland consumers.

Position

Washington Gas remains committed to providing affordable and reliable energy service to Maryland customers, however, the economic reality is that increased tax liabilities may have downstream effects on consumers. The increased costs imposed by SB 1045, which we have estimated as an additional $4.7 million in sales tax costs, could:

- Directly increase the cost of providing natural gas service, leading to higher monthly bills for Maryland households and businesses;
- Place an added financial burden on working families, seniors, and low-income residents who are already struggling with rising costs of living;
- Create additional financial pressure on small businesses that rely on stable and predictable energy costs.
- Undermine efforts to keep energy costs affordable at a time when Maryland policymakers are focused on mitigating financial burdens on consumers.

Conclusion

For these reasons, Washington Gas urges the Maryland General Assembly to reject SB 1045. The proposed sales tax expansion would have unintended consequences that ultimately affect Maryland consumers and businesses. We encourage lawmakers to consider alternative approaches to generating state revenue that do not impose additional burdens on essential utility services or threaten to hinder Maryland's broader economic competitiveness by increasing the cost of doing business in the state.

We welcome the opportunity to discuss these concerns further and work with policymakers on solutions that support both fiscal responsibility and economic stability for Maryland residents and businesses.

About Washington Gas Light

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. Washington Gas has been providing energy to residential, commercial, government, and industrial customers for more than 176 years, and currently serves more than 500,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 400 people within Maryland, including contractors, plumbers, union workers, and other skilled tradespeople. We strive to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities we serve, and giving back through our charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.[1]

Contact:
Brandon Todd, Vice President, Government Affairs, Policy & Advocacy, Washington Gas
M 202-744-0816 | brandon.todd@washgas.com

[1] DOE. Energy Conservation Program for Consumer Products: Representative Average Unit Costs of Energy (Aug. 28, 2023).

NAIFA MARYLAND

Senate Bill 1045

Sales and Use Tax – Taxable Business Services - Alterations
Senate Budget & Taxation Committee
Position: Oppose

Dear Chair Guzzone and Members of the Senate Budget & Taxation Committee,

NAIFA-MD ("The National Association of Insurance and Financial Advisors – Maryland Chapter") appreciates the opportunity to submit written testimony on SB 1045. NAIFA-MD is made up of insurance agents and advisors, financial advisors and financial planners, investment advisors, broker/dealers, multiline agents, health insurance and employee benefits specialists, and more. We are the closest to the consumer and provide products, services, and guidance that increase financial literacy in our society, protect their clients against life's inherent risks, help hard-working Americans prepare for retirement, and create financial security and prosperity so their clients can leave a legacy for future generations.

Senate Bill 1045 proposes a 2.5% sales tax on business-to-business services, including those provided by financial planners. NAIFA-MD, as the premier association representing the financial planning community, strongly opposes this legislation due to its potential to harm small businesses, increase consumer costs, and undermine Maryland's economic competitiveness.

Impact on Small Businesses

1. Increased Operational Costs: Small businesses rely heavily on external financial planning services to manage their finances effectively. Imposing a sales tax on these services would increase their operational costs, making it more challenging for them to compete with larger corporations that often have in-house financial teams.

2. Reduced Access to Essential Services: The added expense could lead small businesses to reduce their use of financial planning services, exposing them to financial risks and compliance issues. This would be particularly detrimental in an environment where regulatory requirements are already complex.

3. Competitiveness: None of Maryland's neighboring states impose a sales tax on financial planning services to businesses, either due to a lack of service taxation or specific exemptions for professional services. Maryland is already ranked poorly in terms of business tax climate. Adding

another layer of taxation will further discourage businesses from expanding or relocating to Maryland, ultimately affecting job creation and economic growth.

Consumer Impact

1. Higher Prices: The cost of the tax will inevitably be passed on to consumers, increasing the prices of goods and services. This will disproportionately affect lower-income households, who spend a larger portion of their income on essential goods and services.
2. Tax Pyramiding: The proposed tax could lead to tax pyramiding, where services are taxed multiple times throughout the production chain, further driving up consumer costs.

Administrative Challenges

1. Complexity and Compliance: Implementing this tax will introduce significant administrative burdens for small businesses, requiring them to track and report taxes on professional services. This complexity could lead to disputes and additional compliance costs.
2. Remote Work and Service Location: Determining where a service is provided in cases of remote work or multi-state operations will create logistical challenges, potentially leading to confusion and disputes.

Conclusion

In conclusion, while the intent to address budget deficits is understandable, taxing business-to-business services is not a viable solution. It will harm small businesses, increase consumer costs, and undermine Maryland's economic competitiveness. NAIFA-MD urges the committee to consider alternative solutions that support small businesses and promote economic growth without imposing additional burdens on Marylanders.

Bill:	**Senate Bill 1045 - Sales and Use Tax - Taxable Business Services – Alterations**
Committee:	**Budget and Tax**
Date:	**March 12, 2025**
Position:	**Unfavorable**

The Apartment and Office Building Association (AOBA) of Metropolitan Washington is a non-profit trade association representing the owners and managers of more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George's counties. AOBA also represents members that provide affiliated services to owners and operators. AOBA submits the following testimony in opposition to Senate Bill 1045.

AOBA members rely heavily on contracted business services to manage operations efficiently, and this proposed 2.5% tax on business-to-business (B2B) services will have a detrimental effect on rental housing providers, commercial real estate, and ultimately, Maryland residents. This proposed 2.5% tax is not just a policy misstep; it is a direct economic threat to Maryland's housing affordability, business climate, and overall economic competitiveness. Multifamily housing providers and commercial property owners contract accounting, IT support, payroll, legal, and consulting companies. This tax directly increases operating costs, which will inevitably lead to higher rents for both residential and commercial tenants.

According to the National Apartment Association's annual income and expense survey, 95 cents of every dollar of rent collected in Maryland goes toward operating expenses and debt service.[1] These expenses include mortgage payments, property insurance, payroll, utility costs, property taxes, repair and maintenance, and capital expenditure reserves, which help cover large scale property-wide upgrades. Only five cents of every dollar remain after these costs are covered, with most of it reinvested into the property or leveraged to produce new housing. This rate of return is half the historical return of the stock market, making housing a far less attractive investment for new capital. At a time when housing affordability is a major concern, imposing new taxes that will drive up rental prices is

[1] https://www.aoba-metro.org/advocacy/at-issue-md---breaking-down-one-dollar-of-rent

counterproductive.

This tax burden comes at a particularly challenging time when multifamily property owners are already facing significant operating cost increases from other regulatory mandates, including rent stabilization, vacancy control, and Building Energy Performance Standards (BEPS). According to case studies completed for AOBA by Steven Winters Associates, state BEPS will cost upwards of $20,000 - $40,000 per unit. This does not include the heavy up costs, which are required to increase electrical capacity to the building; the cost of financing the energy efficiency measures; or the loss of tenant income due to tenant displacement while the improvements are completed.

While the commercial office market does not suffer directly from rent stabilization, it is not immune to rising operating costs. At the same time, the commercial office market continues to grapple with rising vacancy rates, due to increased telework and hybrid work schedules. Despite Montgomery County being a desirable, amenity-rich area with transit, properties in the county continue to see their values decline from pre-pandemic highs. The reduction of net operating income is leading to a lower capitalization rate, and, consequently, a decrease in property values. The federal government's reduction in workforce, cancelled leases, and listing of federal properties for sale will only worsen this trend.

In addition to the market challenge, this bill would create additional competitive disadvantage for Maryland properties. Neighboring states such as Virginia and Delaware do not impose similar B2B service taxes. Commercial tenants that are already scrutinizing costs will bypass Maryland in favor of lower-tax states. These decisions will further drain our economy and weaken the commercial real estate sector. This bill does not just increase costs, the policy actively erodes our tax base and long-term economic stability by pushing businesses out of Maryland.

Maryland should be fostering economic growth, attracting businesses, and strengthening its housing market; not crippling them with unnecessary financial burdens. SB1045 is a short-sighted revenue measure that will drive up costs, force businesses to cut jobs or relocate, and make housing less affordable for Maryland residents.

The most effective way to generate revenue is through a thriving, competitive economy—not by punishing businesses for utilizing essential services. Senate Bill 1045 is a direct threat to the state's economic stability and competitiveness, and its consequences will reverberate through every sector, harming businesses, property owners, and consumers alike.

For these reasons, AOBA strongly urges an unfavorable report on Senate Bill 1045. For more information, please contact Brian Anleu at banleu@aoba-metro.org.

Senate Bill 1045.pdf
Uploaded by: Brian Farasy
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organtization, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my organization located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Brian Farasy
Member
Mortgage Bankers/Brokers

SB1045 -- Sales and Use Tax - Taxable Business Ser

Uploaded by: Brian Levine

Position: UNF

Senate Bill 1045 -- *Sales and Use Tax - Taxable Business Services - Alterations*
House Ways and Means Committee
March 12, 2025
Oppose

On behalf of the Gaithersburg-Germantown Chamber of Commerce, Greater Bethesda Chamber of Commerce, Greater Rockville Chamber of Commerce, Greater Silver Spring Chamber of Commerce, and Montgomery County Chamber of Commerce, we strongly oppose Senate Bill 1045 -- *Sales and Use Tax - Taxable Business Services - Alterations.*

Senate Bill 1045 proposes a 2.5% tax on business-to-business services in Maryland, potentially burdening businesses with an additional $1 billion of taxes annually. Our chambers argue that taxing business-to-business services is fundamentally flawed policy and unfairly balances the budget at the expense of businesses.

We are deeply concerned about the negative impact this tax will have on Maryland's already fragile business environment. Unlike Maryland, our neighboring and competitor states do not impose such a significant tax on business services, and neither should we.

The primary burden of this tax will fall on small and mid-sized businesses, which operate on tight margins and cannot easily absorb additional costs. These businesses are the backbone of our economy, and increasing their expenses could stifle growth, hinder job creation, and harm Maryland's economic health.

Policymakers should prioritize policies that support business growth, job creation, and economic expansion in Maryland. This approach is the most effective way to revitalize Maryland's stagnant economy and boost state tax revenues. If this bill passes, it will be the neighboring states that benefit from our loss, growing their tax bases at Maryland's expense.

For these reasons, our united group of Montgomery County business organizations respectfully request an unfavorable report.

Angela Franco
President & CEO
Montgomery County Chamber of Commerce

Marji Graf
President & CEO
Greater Rockville Chamber of Commerce

Stephanie Hesling
President & CEO
Greater Silver Spring Chamber of Commerce

Paula Ross
President & CEO
Gaithersburg-Germantown Chamber of Commerce

Allie Williams
President & CEO
Greater Bethesda Chamber of Commerce

Senate Bill SB1045.pdf
Uploaded by: Brian Wolfe
Position: UNF

Brian T. Wolfe, C.P.A.
John R. Fiedler, C.P.A.

Wolfe & Fiedler, P.A.
Certified Public Accountants

Change is inevitable...Progress is optional.

Members of American Institute of
Certified Public Accountants
Maryland Association of
Certified Public Accountants

March 10, 2025

Senate Bill SB1045

Dear Senator Hettleman & Committee:

I am writing to oppose Bill SB1045. This bill will hurt small businesses, increase costs and put Maryland at a competitive disadvantage. I am a CPA in a small local business community in Catonsville, MD. We work directly with small businesses as they rely on us to help them grow and to make sure they stay in compliance with all regulations. This additional cost on them would have a detrimental impact on their business.

Respectfully,

Brian T. Wolfe, CPA
Wolfe & Fiedler, P.A.

634 Frederick Road • Baltimore, MD 21228 • Phone: 410 747-0789 • FAX: 410 744-7570

HB 1554 SB 1045 Opposition by Sonesta.pdf
Uploaded by: Bridgette Sloan
Position: UNF

Bridgette A. Sloan, CHA

Sonesta International Hotels Corporation

DBA -Royal Sonesta Baltimore, ES BWI, Simply BWI, ES Annapolis, and Select Columbia

Bridgette.sloan@sonesta.com

C:443-469-6807

3/6/2025

Subject: HB 1554 and SB 1045

Concerns Regarding Proposed 2.5% Tax Increase on Hotel Services

House Ways and Means and Senate Budget and Taxation Committee,

I am writing to express my deep concern regarding the proposed 2.5% tax increase on hotel services and the significant negative impact it would have on our industry. As a key contributor to the local economy, our hotel—and the hospitality sector as a whole—relies on competitive pricing, strong occupancy rates, and efficient operations to sustain jobs, drive tourism, and contribute to the community.

A tax increase of this nature would directly affect our bottom line, making it more challenging to maintain affordability for guests, particularly in an increasingly price-sensitive market. Travelers—both leisure and business—often make decisions based on total costs, and higher taxes could deter them from choosing our city as a destination, ultimately leading to lower occupancy rates and decreased revenue.

Additionally, this increased financial burden would put pressure on our operational budget. Rising costs without offsetting revenue growth could force difficult decisions, such as reductions in staffing, scaled-back services, or delays in necessary renovations and improvements that keep our property competitive. Such impacts would not only affect our team members but also diminish the guest experience, potentially leading to decreased repeat business and negative long-term economic effects.

As an advocate for a thriving local tourism economy, I urge you to reconsider the implications of this tax increase and explore alternative solutions that do not jeopardize the health of the hospitality industry. We welcome the opportunity to collaborate on policies that support sustainable growth for both businesses and the broader community.

Thank you for your time and consideration. I would appreciate the opportunity to discuss this matter further and provide additional insights on how we can work together to ensure the continued success of our local tourism industry.

Sincerely,

Bridgette Sloan

General Manager

Sonesta Select Columbia

SB 1045 Small Business Testimony .pdf
Uploaded by: Brigitta MULLICAN
Position: UNF

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations~ Oppose

Testimony for the Budget and Taxation Committee - March 10, 2025

Please oppose this new 2.5% business services tax which will significantly increase business costs.

Maryland businesses report potential costs of $50,000 to upwards of $150,000+ annually from this new tax. These are direct hits to Maryland. Competitors in Virginia and Delaware will not face them. Every dollar spent on this tax is not invested in growth, hiring, or innovation.

Please vote unfavorable on SB 1554 - Sales and Use Tax - Taxable Business Services - Alterations

Thank you.

Brigitta Mullican (59-year Montgomery County Resident)
Rockville, MD 20851 - Legislative District-17

SB 1045 Testimony_1020 Productions.pdf
Uploaded by: Brina Furman
Position: UNF

House Bill 1554
Date: March 9, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local small business, I write to express **strong opposition** to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. Others will write to you explaining how there are several specific reasons why this legislation would harm Maryland businesses. I will write to you expressing how it will impact me and my family of four (including two infants) and have a ripple effect on my community. For context: I am a small business of one. I own and operate an LLC and serve clients across the country.

- I don't have an IT department and an accounting department; I am those things. When I need support from external resources, I am already paying an absorbent fee to ensure I am doing so in compliance with other regulations. Every single dollar spent on those services are dollars removed from my family.
- Furthermore, that's another administrative burden on my small business. It's an additional accounting fee. To avoid the fee, I may opt to attempt to operate that myself, but this still takes money out of my small business as it's hours I could not spend on billable work.
- I anticipate that this tax will just pyramid into other factors, increasing those costs far beyond the 2.5%.
- This tax would put me at a **significant** disadvantage in the region. I am hired by other companies to provide an end service. If I have to implement a 2.5% tax, why would a company hire me over someone in Pennsylvania or Virginia? That 2.5% would be a significant difference that they could easily keep in their pockets by hiring someone by a neighboring state. This would directly draw potential contracts from Maryland for my business.
- It is easy to image a situation in which 2.5% increases and dominos into further rate increases across industries. At a time where every dollar is critical, this is truly a terrifying thought.

You may believe that 2.5% is a minimal cost. But that's a cost my family of 4 cannot afford right now. The cost of merely surviving is so astronomically expensive. Please do not create another barrier to me providing for my family.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Brina R. Furman

Owner and Executive Producer

1020 Productions, LLC

443-955-0082 | brina@1020productions.com

SB 1045_BOMA_UNF.pdf
Uploaded by: Bryson Popham
Position: UNF

BOMA BALTIMORE

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Forest Hill, MD 21050
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info@bomabaltimore.org

March 10, 2025

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services – Alterations - UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

I am writing in my capacity as the Legislative Chairman of the Building Owners and Managers Association of Greater Baltimore (BOMA) to respectfully request an unfavorable report on Senate Bill 1045.

BOMA, through its nearly 300 members, represents owners and managers of all types of commercial property, comprising 143 million square feet of office space in Baltimore and Central Maryland. Our members' facilities support over 19,000 jobs and contribute $2.5 billion to the Maryland economy each year.

A principal concern of BOMA is a lack of definitional certainty in this legislation. Notwithstanding the reference to the North American Industrial Classification System (NAICS), there is substantial room for interpretation of the classifications that would be subject to taxation under the bill, e.g.; the category of "data or information technology service," while described on page 5, in line 3 of the bill, can be broadly interpreted. Similarly, a "consulting service" cited on page 5, line 7 of the bill, is equally broad.

Another issue that we want to raise is with respect to potential layoffs to cover these costs. By way of example, when services for janitorial services began to be taxed, and in conjunction with an increase in the union contracts, certain BOMA members took a hard look at the scope of services under the existing janitorial contracts and had to reduce the service levels. As a result, there was a forced reduction in certain contracts. Furthermore, we note that the State is already taxing the net revenue from these services as State income tax.

Finally, delegating the taxation of services under these and other categories to the Comptroller is essentially ceding legislative authority for a decision on taxation that should properly be made by the legislature.

For these reasons we respectfully request an unfavorable report on Senate Bill 1045.

Very truly yours,

Tom O'Donald

cc: Bryson Popham

SB 1045_MAMIC_UNF.pdf
Uploaded by: Bryson Popham
Position: UNF

MAMIC
Maryland Association of
Mutual Insurance Companies

191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

March 10, 2025

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services – Alterations - UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

I am writing in my capacity as President of the Maryland Association of Mutual Insurance Companies (MAMIC) in respectful opposition to Senate Bill 1045.

As you may recall, MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

Although services arising from the provision of insurance may be exempt as covered by the Maryland insurance premium tax, many other services listed in this legislation are not. For example, consulting services (page 5, line 7 and 8), software systems and applications and information technology (page 5, lines 3-6), are all considered to be taxable services under the bill. A number of MAMIC members are Maryland domestic corporations utilizing a holding company form of organization. Transactions of services between affiliates of such a holding company may be taxable under the bill, although in reality they should be considered as internal expenses.

In addition, expenses incurred during the adjudication of claims in the ordinary course of business could well be considered as taxable services under the bill. All of these tax obligations would exacerbate the affordability problems already affecting the insurance industry and the cost of insurance policies for Maryland residents.

While MAMIC fully appreciates the State's need for additional revenue, and we pledge to work with our legislative representatives on a fair and appropriate taxation of certain services that are not presently taxed, we strongly believe that such a subject requires a thorough legislative analysis that includes input from those entities who will be asked to pay the tax. We note the late introduction of this legislation and the inability of all parties to engage in a meaningful discussion of these important issues. Accordingly, we respectfully request an unfavorable report on Senate Bill 1045 and recommend that a detailed study be conducted during the legislative interim by the legislature, the Office of the Comptroller and the Governor's Office. We pledge our participation in such a study.

Very truly yours,

Melissa Shelley, President

cc: Bryson Popham

SB 1045_NABIP MD_UNF.pdf
Uploaded by: Bryson Popham
Position: UNF

Bryson F. Popham, P.A.

Bryson F. Popham, Esq.

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410-268-6871 (Telephone)
443-458-0444 (Facsimile)

March 10, 2025

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services – Alterations - UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

On behalf of the National Association of Benefits Insurance Professionals of Maryland (NABIP MD), I wish to express our opposition to Senate 1045.

NABIP MD (formerly Maryland Association of Health Underwriters - MAHU) is a trade association comprised of several hundred licensed health insurance producers in Maryland who represent both businesses and individuals in analyzing their need for health insurance and advising clients on health insurance coverage and benefits. NABIP MD members have traditionally served as the representatives for small and medium-sized businesses in the negotiation of health benefit plans for the employees of those businesses.

Although services arising from the provision of insurance may be exempt as covered by the Maryland insurance premium tax, many other services listed in this legislation are not. For example, consulting services (page 5, line 7 and 8), software systems and applications and information technology (page 5, lines 3-6), are all considered to be taxable services under the bill. NABIP members utilize these and other services for the benefit of their business and individual clients. They are often referred to as the "human resources department" for the many small businesses they serve. The application of the sales tax to the many services that a NABIP MD member may purchase or deliver will disproportionately fall upon these small businesses, which are already dealing with historically high insurance costs. While NABIP MD members understand that our State must reconsider the application of the State sales tax to certain services, we strongly believe that prior to the enactment of a broad-based expansion of the sales tax, as contemplated in this legislation, requires a more careful and deliberate approach.

Accordingly, we respectfully request an unfavorable report on Senate Bill 1045 and recommend that a detailed study be conducted during the legislative interim by the legislature, the Office of the Comptroller and the Governor's Office. We pledge our participation in such a study.

Very truly yours,

Bryson Popham

cc: Melissa Coles, President, NABIP MD
Kevin O'Toole, Co-Chair, NABIP MD Legislative Committee
Glenn Arrington, Co-Chair, NABIP MD Legislative Committee

SB 1045_SEVITA HEALTH_UNF.pdf
Uploaded by: Bryson Popham
Position: UNF

Bryson F. Popham, P.A.

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March 10, 2025

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations UNFAVORABLE

Dear Chairman Guzzone and Members of the Committee,

On behalf of Sevita Health and its Adult Day Health, Mentor Maryland, and NeuroRestorative divisions, we respectfully request an unfavorable report on Senate Bill 1045.

Sevita is a leading national provider of home and community based specialty health care services. Sevita provides adults, children, and their families innovative, quality services and supports that lead to growth and independence, regardless of the physical, intellectual, or behavioral challenges they face.

A principal concern of Sevita Health, and its divisions listed above, is a lack of definitional certainty in this legislation. Notwithstanding the reference to the North American Industrial Classification System (NAICS), there is substantial room for interpretation of the classifications that would be subject to taxation under the bill, e.g.; the category of "data or information technology service," while described on page 5, in line 3 of the bill, can be broadly interpreted. Similarly, a "consulting service" cited on page 5, line 7 of the bill, is equally broad. Delegating the taxation of services under these and other categories to the Comptroller is essentially ceding legislative authority for a decision on taxation that should properly be made by the legislature.

Sevita Health is cognizant of the fiscal needs you are currently addressing on behalf of the State. We recognize that a revision of the Maryland sales tax law to include certain services may be appropriate; however, such a far-reaching change in Maryland tax policy should be made only after a thorough examination of the proposals and their effects on Maryland citizens. Sevita Health would gladly participate in a discussion of such measures as they impact the Marylanders that we serve. We hope to have the opportunity to do so.

Sevita Health respectfully urges the Committee for an unfavorable report on Senate Bill 1045.

Very truly yours,

Bryson Popham

Bryson Popham

cc: Jessica Long – Sevita Health

HB 1554 Testimony.pdf
Uploaded by: Byron Patrick
Position: UNF

Byron K Patrick, CPA
3208 Kimberly Dr
Mount Airy, MD 21771

I am writing as a CPA deeply involved with and committed to the success of Maryland's small businesses. I am concerned about Maryland House Bill 1554 and its negative implications for our business community. As it stands, the proposed tax policy would place an undue burden on small business operations and undermine our state's competitive edge in the region.

Below are the key reasons why I believe HB 1554 is misguided and should be reconsidered:

- **Additional Financial Burden on Small Businesses**
  - For small businesses operating on narrow profit margins, this extra tax means an immediate increase in operating costs.
  - Many small firms already face significant expenses, and this additional cost would further reduce the capital available for growth, hiring, and day-to-day operations.
  - By forcing small businesses to allocate funds towards an extra tax, Maryland risks stifling innovation and economic expansion, which are essential for a thriving entrepreneurial ecosystem.
- **Increased Compliance and Administrative Costs**
  - HB 1554 not only introduces a new tax but also creates a complex compliance environment. Small businesses will have to invest in new tools and systems to ensure accurate reporting and payment of the tax.
  - Many small companies lack the resources to manage this increased administrative burden without hiring additional professional help, such as accountants or tax advisors.
  - This extra cost of compliance is effectively a hidden tax, as it raises the overall cost of doing business in Maryland. These funds could be better spent on initiatives that directly support business growth and job creation.
- **Competitive Disadvantage in the Region**
  - Unlike Maryland, neighboring states such as Washington D.C., Virginia, Delaware, and Pennsylvania do not impose a similar tax on business services. Virginia and D.C. exempt most professional services from such levies.
  - This disparity creates a strong incentive for Maryland businesses to seek services from providers in these more tax-friendly states. Over time, this could lead to a significant outflow of business and services, weakening Maryland's overall economic competitiveness.
  - The risk of businesses relocating or shifting key service contracts outside of Maryland would result in job losses and reduced tax revenues, thereby defeating the intended purpose of the tax.
- **Unfair Selective Taxation**
  - A troubling aspect of HB 1554 is its selective nature. While the tax targets many critical business services, it notably excludes professions such as law, engineering, and architecture.
  - This selective taxation creates an uneven playing field, forcing some service providers to bear an extra financial burden while others enjoy a tax-free advantage.
  - Such an approach distorts market dynamics by incentivizing business decisions based solely on tax avoidance rather than service quality or suitability, ultimately harming the overall economic landscape in Maryland.
- **Ignoring Cost-Cutting and Fiscal Discipline Alternatives**
  - The justification for this tax hinges on the need to address Maryland's budget deficit. However, it is concerning that the state has not yet fully explored alternative measures such as reducing unnecessary spending or improving administrative efficiency.
  - Rather than imposing an additional tax on small businesses, the state should prioritize cost-cutting strategies that directly address these issues.
  - Recent budget proposals have demonstrated that meaningful savings are achievable through spending reforms. Relying on a new tax to close fiscal gaps sends the wrong message and places the burden on those least able to absorb it.
- **Broader Economic and Employment Implications**

- The additional costs imposed by HB 1554 are likely to result in higher prices for Maryland consumers, as businesses pass on the expense. This price increase would reduce disposable income and overall economic demand within the state.
- Furthermore, higher operating costs may force businesses to curtail hiring or delay expansion, directly impacting job creation and long-term economic growth.
- Maryland already faces challenges with a high overall tax burden, and this new tax risks further eroding the state's attractiveness to entrepreneurs and investors. In the long run, such a policy could diminish Maryland's competitive standing in the national market.

In summary, HB 1554 represents a policy that adds yet another financial and administrative burden on Maryland's small businesses without addressing the underlying issues of waste and inefficiency within our state government. Instead of raising taxes, I urge you to consider reforming state expenditures and embracing cost-cutting measures that will promote fiscal discipline while protecting the engines of our economy.

I respectfully request that you oppose HB 1554 in its current form and work towards alternative solutions that do not jeopardize Maryland's business environment. Our small businesses are vital to job creation, innovation, and the overall prosperity of our state. They deserve policies that support growth and maintain Maryland's competitive edge, not additional taxes that force them to look to neighboring states for more favorable conditions.

Thank you for your attention to this matter. I look forward to your thoughtful consideration and am available to discuss these concerns further if needed.

Testimoney .pdf
Uploaded by: Casey Young
Position: UNF

Diamond
MEDICAL
Laboratories

66 Painters Mills Rd
Suite200
Owings Mills, MD 21117
Phone: (410) 834-8600
Fax: (410) 834-8601

"Dear Legislators:

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the COO of Diamond Medical Labs. We provide lab services to Skilled Nursing and Assisted Living Facilities in Maryland. We know those businesses run on very thin margins, especially on the Medicaid side, and as a lab provider, we do have to invoice those facilities for any testing not covered by insurance. The onerous imposition of a proposed 2.5% tax on business to business activity would undoubtedly impact our clients , and their ability to stay in business. That would lead to many seniors and geriatric patients with no where to go to receive services, if we were forced to impose this pass through tax to our clients

Casey Young

COO

CatGranger-SB1045-Testimony2.pdf
Uploaded by: Catarina Granger
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Catarina Granger
Owner/Head Photographer

Cat Granger Photography
6175 Sunny Spring, Columbia, MD 21044
(816) 572-7687
info@catgrangerphotography.com
catgrangerphotography.com

SB 1045 SIGNED.pdf
Uploaded by: Chad Vent
Position: UNF

SB 1045

Opposed (UNF) to SB 1045

Written testimony by Chad T Vent, CPA

9748 Stephen Decatur Hwy Ste 103

Ocean City MD 21842

Date March 10, 2025.

My name is Chad T Vent, and I am a Maryland Licensed CPA and a trusted business advisor in Ocean City, Maryland. I am a partner at Faw Casson and Co, LLP and we recently celebrated our 80th anniversary. As a matter of fact, we received an Official Citation from the Maryland General Assembly and A Resolution from the Senate of Maryland in recognition of our 80 years.

I am writing to state my clear **opposition to SB 1045**. This tax will increase costs for businesses and hurt Maryland's competitiveness with other States. I see this creating an unnecessary burden on service providers -including CPAs and their clients.

Concerned

Chad T Vent, CPA

SB1045 (Sales and Use Tax) 3102025 (003).pdf
Uploaded by: Charlene Morazzani Hood
Position: UNF

March 10, 2025

Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Re: Senate Bill 1045
Sales and Use Tax – Taxable Business Services -- Alterations
Hearing Date: March 12, 2025
Position: Oppose

Dear Senator Guzzone and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee ("MD-LAC") of the Community Associations Institute ("CAI"). CAI represents individuals and professionals who reside in or work with condominiums, homeowners' associations, and cooperatives throughout the State of Maryland.

MD-LAC opposes SB1045. This bill seeks to alter the definition of a "taxable price" and a "taxable service" by applying a sales and use tax for certain labor and services. If passed, this law would apply a sales and use tax from one business to another business in Maryland of 2.5%. The bill uses broad stroke service classifications such as "business management," "maintenance," and "trash disposal" – services commonly used by community associations across the state, which could potentially encompass community association property management, swimming pool management, trash and junk disposal, accounting services, IT and data processing services, web hosting, lobbying and marketing, financial planning, bookkeeping, accounting and tax preparation services, along with a myriad of maintenance-related services including heating, ventilation, and air conditioning (HVAC), boiler, roofing, façade, electrical, plumbing, locksmith, snow removal, road and sidewalk repairs, and security system maintenance and repairs, and a host of other services.

On average, 50% of a community association's budget is spent on maintenance, and so a community with a maintenance budget of $1,500,000, for example, would incur an additional $37,500 in tax expense to the association and its members. The negative impact this tax will have on condominium and homeowners' association budgets and the increased collections to pay for them would be staggering. And for some services where maintenance is to components (such as roads) that are private where other communities enjoy state-provided maintenance, the tax lacks reason – the association must expend funds to maintain a private component where the state affords no service but is enriched by taxing a business to business service.

This session has seen other bills that impact Maryland's more than 6,850 community associations, some of which are already struggling to operate in the face of numerous financial obligations including meeting reserve study and reserve funding requirements (current law is seeking a legislative change this session to allow associations more time to fully fund), but outside of trying to fund for maintenance, unpaid homeowner assessments, bankruptcies, foreclosures, building deficiencies, the escalating costs of maintaining aging buildings, weather-related problems and damage not eligible for insurance, equipment failures, rising inflation, the rising costs of necessary materials and services, and the rising cost of insurance due to catastrophic losses is already resulting in increased assessments – often in excess of 20% annually.

In addition, many of Maryland's condominium owners are first-time home buyers who have saved just enough to purchase their homes but who cannot keep up with escalating costs of condominium and/or homeowners' association fees year after year. Consider, too, that nearly 9,000 of Maryland's residents live in Leisure World, a 55+ community of predominantly fixed-income residents, while still other associations' residents are aging in place long after retirement. Additional expenses could force these older residents to sell their homes long before they are ready.

Further, we would ask that the Committee review the hard costs of a service tax. The combined tax for services used by one association in Odenton, for example, would be approximately $40,000. Another large-scale association in Rockville, whose snow removal budget alone is $550,000, would see a tax for that service of $13,750 per year. Some associations would see their monthly assessments increase by more than $400. For one 244-unit condominium with no amenities, the tax would be around $11,000.

Maryland Legislative Action Committee
Post Office Box 6636
Annapolis, Maryland 21401

Ultimately, many associations will be forced to re-evaluate or defer services in order to accommodate a substantial tax assessed for unavoidable services. Worse, long-term deferral of services most certainly would result in property deterioration, reduced property values, and a reduction in or elimination of services – and perhaps an inability to comply with statutory reserve funding requirements. Those associations that cannot avoid a necessary service would have to somehow add this tax to their annual budgets resulting in increases in condominium and association fees.

While MD-LAC understands the state's changing fiscal landscape, particularly the impact federal decisions are likely to have on the state, along with the $3 billion budget deficit Maryland already finds itself in, we do not believe enough consideration has been given to the impact of this tax on our many residents, and the impact would be enormous and widespread: As of 2020, approximately 1,350,000 Marylanders lived in 515,000 homes in 6,850 community associations – nearly 25% of the state's residents. In an environment where Maryland's residents either will or have already received property tax increases of anywhere from 20% to 35%, this tax would simply compound those expenses and drive homeowners and homebuyers from our state.

Accordingly, MD-LAC respectfully requests that the Committee give SB1045 an **unfavorable** report.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com; Charlene Morazzani Hood, Assistant Treasurer of the MD-LAC at 410-654-4444, or via email at cmorazzani@residential-realty.com; or via email, or Vicki Caine, Chair of the MD-LAC, at 215-806-9143 or via email at vcaine1@gmail.com.

Sincerely,

Charlene Morazzani Hood *Vicki Caine*

Charlene Morazzani Hood
Assistant Treasurer, CAI MD-LAC

Vicki Caine
Chair, CAI MD-LAC

Maryland Legislative Action Committee
Post Office Box 6636
Annapolis, Maryland 21401

SB1045 Sales and Use Tax) 3102025 (003).pdf
Uploaded by: Charlene Morazzani Hood
Position: UNF

March 10, 2025

Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB1045
Sales and Use Tax – Taxable Business Services -- Alterations
Hearing Date: March 12, 2025
Position: Oppose

Dear Delegate Atterbeary and Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee ("MD-LAC") of the Community Associations Institute ("CAI"). CAI represents individuals and professionals who reside in or work with condominiums, homeowners' associations, and cooperatives throughout the State of Maryland.

MD-LAC opposes SB1045. This bill seeks to alter the definition of a "taxable price" and a "taxable service" by applying a sales and use tax for certain labor and services. If passed, this law would apply a sales and use tax from one business to another business in Maryland of 2.5%. The bill uses broad stroke service classifications such as "business management," "maintenance," and "trash disposal" – services commonly used by community associations across the state, which could potentially encompass community association property management, swimming pool management, trash and junk disposal, accounting services, IT and data processing services, web hosting, lobbying and marketing, financial planning, bookkeeping, accounting and tax preparation services, along with a myriad of maintenance-related services including heating, ventilation, and air conditioning (HVAC), boiler, roofing, façade, electrical, plumbing, locksmith, snow removal, road and sidewalk repairs, and security system maintenance and repairs, and a host of other services.

On average, 50% of a community association's budget is spent on maintenance, and so a community with a maintenance budget of $1,500,000, for example, would incur an additional $37,500 in tax expense to the association and its members. The negative impact this tax will have on condominium and homeowners' association budgets and the increased collections to pay for them would be staggering. And for some services where maintenance is to components (such as roads) that are private where other communities enjoy state-provided maintenance, the tax lacks reason – the association must expend funds to maintain a private component where the state affords no service but is enriched by taxing a business to business service.

This session has seen other bills that impact Maryland's more than 6,850 community associations, some of which are already struggling to operate in the face of numerous financial obligations including meeting reserve study and reserve funding requirements (current law is seeking a legislative change this session to allow associations more time to fully fund), but outside of trying to fund for maintenance, unpaid homeowner assessments, bankruptcies, foreclosures, building deficiencies, the escalating costs of maintaining aging buildings, weather-related problems and damage not eligible for insurance, equipment failures, rising inflation, the rising costs of necessary materials and services, and the rising cost of insurance due to catastrophic losses is already resulting in increased assessments – often in excess of 20% annually.

In addition, many of Maryland's condominium owners are first-time home buyers who have saved just enough to purchase their homes but who cannot keep up with escalating costs of condominium and/or homeowners' association fees year after year. Consider, too, that nearly 9,000 of Maryland's residents live in Leisure World, a 55+ community of predominantly fixed-income residents, while still other associations' residents are aging in place long after retirement. Additional expenses could force these older residents to sell their homes long before they are ready.

Further, we would ask that the Committee review the hard costs of a service tax. The combined tax for services used by one association in Odenton, for example, would be approximately $40,000. Another large-scale association in Rockville, whose snow removal budget alone is $550,000, would see a tax for that service of $13,750 per year. Some associations would see their monthly assessments increase by more than $400. For one 244-unit condominium with no amenities, the tax would be around $11,000.

Ultimately, many associations will be forced to re-evaluate or defer services in order to accommodate a substantial tax assessed for unavoidable services. Worse, long-term deferral of services most certainly would result in property deterioration, reduced property values, and a reduction in or elimination of services – and perhaps an inability to comply with statutory reserve funding requirements. Those associations that cannot avoid a necessary service would have to somehow add this tax to their annual budgets resulting in increases in condominium and association fees.

While MD-LAC understands the state's changing fiscal landscape, particularly the impact federal decisions are likely to have on the state, along with the $3 billion budget deficit Maryland already finds itself in, we do not believe enough consideration has been given to the impact of this tax on our many residents, and the impact would be enormous and widespread: As of 2020, approximately 1,350,000 Marylanders lived in 515,000 homes in 6,850 community associations – nearly 25% of the state's residents. In an environment where Maryland's residents either will or have already received property tax increases of anywhere from 20% to 35%, this tax would simply compound those expenses and drive homeowners and homebuyers from our state.

Accordingly, MD-LAC respectfully requests that the Committee give **SB1045** an **unfavorable** report.

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Sincerely,

Charlene Morazzani Hood *Vicki Caine*

Charlene Morazzani Hood
Assistant Treasurer, CAI MD-LAC

Vicki Caine
Chair, CAI MD-LAC

Susan Saltsman

Member, CAI MD-LAC

Maryland Legislative Action Committee
Post Office Box 6636
Annapolis, Maryland 21401

TESTIMONY1.pdf

Uploaded by: CHARLES CHAPMAN
Position: UNF

House Bill 1554
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As a local business organization Chesco Remodeling LLC , I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Chesco Remodeling LLC located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Charles Lawrence Chapman Jr.
OWNER
Chesco Remodeling LLC

WWW.CHESCOANDSON.COM

MHIC 134768

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Professional and Prompt Service

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WELCOME TO CHESCO REMODELING

OUR MISSION & CORE VALUES

INTEGRITY WITHOUT COMPROMISE - STANDING FIRM IN ONE'S VALUES AND ETHICS

EXCELLANCE WITHOUT EXCEPTION- COMMITING TO EXCELLANCE AND ENSURING THE HIGHEST QUALITY IN OUR PRODUCTS AND SERVICES

UPHOLDING HONESTY & TRANSPARENCY IN ALL INTERACTIONS AND DECISION'S

TAKING RESPONSIBILTY FOR OUR ACTIONS AND DELIVERING ON OUR COMMITMENTS

NURTURING COMMUNITY BONDS AND DRIVING POSITIVE OUTCOMES

TESTIMONY1.pdf
Uploaded by: CHARLES CHAPMAN
Position: UNF

House Bill 1554
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

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I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Charles Lawrence Chapman Jr.
OWNER
Chesco Remodeling LLC

WWW.CHESCOANDSON.COM

MHIC 134768

letter to MDGA 3-2025.pdf
Uploaded by: Cheri Sanzi
Position: UNF

Winter Growth
EMPOWERING Seniors and Adults with Disabilities to Live Their BEST LIVES

March 10, 2025

<u>House Bill 1554</u>
Chair Vanessa E. Atterbeary
House Ways and Means Committee
130 Taylor House Office Building
Annapolis, MD 21401

<u>Senate Bill 1045</u>
Chair Guy Guzzone
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Dear Legislators:

In the event that House Bill 1554/Senate Bill 1045: Sales and Use-Tax-Taxable Business Services-Alterations applies to nonprofit organizations, I am writing out of great concern (and probable OPPOSITION) for the impact the Bills will have on nonprofit organizations should nonprofits be included in the Bills.

I am the CEO of Winter Growth, Inc. For 46 years we have provided assisted living, memory care, adult day care, and respite services to older adults to empower them to live their best lives. We are a not for profit organization with locations in Columbia, MD and Olney, MD. The proposed legislation would have a profound impact on the economic and programmatic well-being of our organization. That impact will have significant financial implications related to service delivery and what programs we could continue to offer to our clients.

On behalf of myself and my exceptional team at Winter Growth, I ask you to make nonprofits exempt to prevent us from being disproportionately affected by the taxes. I strongly believe that with input and careful consideration from nonprofit leaders, there can be tax policies developed that will balance the need for revenue with the importance of supporting nonprofit organizations that provide vital services to our communities.

Thank you for your consideration.
Sincerely,

Cheri C Sanzi

Cheri C. Sanzi
CEO, Winter Growth, Inc.

SB1045 2.5 percent B2B tax proposal opposition.pdf
Uploaded by: Cheryl Stewart
Position: UNF

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: **Opposed**

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

I understand Maryland faces budget challenges, but implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. Attempting to reduce the shortfall created by overspending through additional taxes is NOT a solution; in fact the ripple effects will likely create further shortfalls. Curbing spending is the appropriate answer. This administration inherited an outstanding positive surplus, but with poor planning and overzealous spending, it has created a problem that will NOT be corrected simply by adding another tax to the very persons and businesses that provide solutions, jobs, and revenues in the state.

There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses lack the resources to absorb new taxes or bring services in-house. Small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, cutting investments in growth, or even relocating or purchasing services from outside of Maryland.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, this proposed tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states. I will certainly consider these alternatives for my business.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than operating and even attempting to grow their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

To ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion, and curb spending. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in Maryland.

Sincerely,

Cheryl L. Stewart, CPA

Owner – Elements of Maryland, Inc., dba Elements Massage

SB1045 Opposition Letter - Chris Holler.pdf
Uploaded by: Chris Holler
Position: UNF

Christopher Holler
630 Regester Ave.
Baltimore, MD 21212
chrish@bctdesigngroup.com
3/10/25

The Honorable Mary Washington
104 James Senate Office Building
11 Bladen St.
Annapolis, MD 21401

Subject: Opposition to HB 1554/SB 1045

Dear Senator Washington,
I am writing to express my strong opposition to Maryland House Bill 1554/Senate Bill 1045. As a concerned constituent, I believe that this proposed legislation will have significant negative consequences for Architects, Interior Designers, Graphic Designers, Landscape Architects, and others in the design profession.

This bill raises several concerns, including financial burden, impact on the local economy, competitiveness of fees from designers from other states and countries, among just a few. If enacted, HB 1554/SB 1045 would increase the cost of essential services such as payroll, bookkeeping, consulting, IT support, marketing, and consulting—all services that architecture firms rely on to operate efficiently and stay competitive. This tax would increase the cost of these essential services, forcing firms to cut expenses elsewhere—which could mean fewer resources for hiring, software investments, and professional development.

We would also be burdened with a competitive disadvantage – unlike Virginia and Delaware, which do not impose sales tax on these services, Maryland firms would face higher operating costs, making it harder to compete for projects regionally. This would also prevent us from investing in cutting-edge technology, sustainability initiatives, and professional training, as we will have to divert funds to cover new tax expenses. The higher overhead will ultimately affect clients, leading to increased design fees or reduced budgets for important projects, including historic preservation, sustainability upgrades, and community developments.

This bill will be detrimental to our business and ultimately force us to reduce our employment as our business slowly erodes because of this tax. I urge you and your colleagues to reconsider this bill and explore solutions that better balance the interests of all stakeholders.

I respectfully request that you vote against HB 1554/SB 1045 and work toward legislation that more equitably addresses the issue at hand. Thank you for your time and consideration. I appreciate your service to our community and welcome any opportunity to discuss this matter further.

Sincerely,
Christopher Holler
630 Regester Ave.
Baltimore, MD 21212
chrish@bctdesigngroup.com
410-837-2727

SB 1045 Sales and Use Tax - Taxable Business Servi
Uploaded by: Chris Parts
Position: UNF

AIA Maryland

March 10, 2025

The Honorable Senator Guy Guzzone
Chair, Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Opposition
SB 1045 Sales and Use Tax – Taxable Business Services – Alterations

Dear Chairman Guzzone and Members of the Committee,

As a board member representing over 2,000 architects, on behalf of AIA Maryland, I write to express strong opposition to Senate Bill 1045, which proposes expanding Maryland's sales and use tax to essential business-to-business (B2B) services. This legislation would impose a 2.5% tax on critical professional services that architects, engineers, and designers rely on daily—including consulting, accounting, IT, graphics, marketing, human resources, and other essential operations.
While we recognize the need for fiscal responsibility, implementing a B2B service tax would have harmful, long-term consequences for Maryland's built environment, small businesses, and economic competitiveness. This bill is not just about added costs—it threatens the very foundation of how our firms operate and contribute to Maryland's communities.

Why This Legislation Harms Maryland's Architecture & Design Industry

Added Financial Strain on Architectural Firms

Architecture firms—many of which are small businesses—rely on specialized professional services to support their projects and operations. This new tax would significantly increase operational costs, forcing difficult decisions about staying competitive in a very tight market. Our work Is heavily reliant on technology and requires consulting to help Implement software, maintain and interface between different programs and educate ourselves on how to use It most efficiently. Additionally, we often rely on HR services to help Identify and hire qualified candidates. Some of us have services such as graphic design and photography In-house and some need to contract for those services. On most projects, architects lead a team of experienced professionals and need to tap into services Identified In the legislation and some that are not. As you can Imagine, this will be extremely challenging to add another step in preparing fees for projects and assessing which cannot be attributed to projects, but are needed for an efficiently functioning office.

Tax Pyramiding: A Dangerous Precedent

Taxing services used in architectural design and construction creates a cascading tax effect, where services are taxed multiple times at different stages. This drives up project costs and directly impacts clients, from homeowners to developers and municipalities working on vital infrastructure projects. As noted above, some of our consultants may need to contract to others for their work product, which would simply build up total project costs for the owner.

Competitive Disadvantage for Maryland Firms

Maryland would become one of the few states in the region to impose such a tax. For located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states. We have many state agencies already that do not give Maryland businesses a competitive advantage in project procurement. Many large projects for University Systems are awarded to out of state firms, K-12 education projects are Increasingly awarded to out of state firms and much of the P-3 procurement work has gone to out of state or out of country businesses. This service tax Imposes another challenge to operating profitably In Maryland.

Barrier to Economic Growth & Development

The built environment is a major contributor to Maryland's economy. By increasing costs for design and construction services, this bill would discourage investment in new projects, slow economic development, and reduce the ability of firms to take on new work—especially in sectors that drive public benefit, such as affordable housing, infrastructure, and sustainability initiatives. Development Is already challenged by higher Interest rates that we had grown accustomed to, skilled labor shortages and unknown material costs with the potential for tariffs on key construction elements like lumber. An added service tax Is likely to slow the market further.

Administrative & Compliance Burdens
Beyond financial strain, this tax would create complex new compliance requirements, forcing architectural firms to track, collect, and remit taxes on a broad range of professional services. Many small firms do not have in-house financial teams to handle this burden, leading to additional outsourcing costs and time-consuming administrative work.

A Slippery Slope for Future Tax Expansion
Once Maryland establishes a B2B service tax, there is no guarantee it will remain at 2.5% or limited to the currently targeted services. Future budget shortfalls could lead to higher rates and additional taxed services, including critical areas like real estate, engineering, and construction administration—further compounding the financial burden on our industry.

The Solution: Strengthening Maryland's Economy, Not Taxing It
Rather than imposing new taxes that stifle economic growth, Maryland should focus on policies that support business development and attract investment. The architecture and design community plays a key role in shaping Maryland's future—we need policies that foster innovation, sustainability, and job creation, not ones that penalize the very services that drive economic progress.

We urge you and the General Assembly to carefully consider the damaging effects of SB 1045 and reject this bill in favor of pro-growth policies that support Maryland's businesses, built environment, and economy.

Sincerely,

Chris Parts, AIA
Director, Past President, AIA Maryland

SB 1045 - Written Testimony.pdf
Uploaded by: Christa Hood
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth. As a CPA firm, a significant portion of the services we provide to our small business clients are to comply with current state laws and regulations, so this is a tax on top of existing compliance requirements. 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 Virgina, Delaware or Pennsylvania?

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Christa L. Hood, CPA
Managing Partner
Askey, Askey & Associates, CPA, LLC

March SB 1045 Senate letter.pdf
Uploaded by: Christine Bergmark
Position: UNF

THE St. Mary's County Chamber OF COMMERCE

"Where business and community meet"

Date: March 10, 2025

To: Committee Chairs and St. Mary's County Delegation

Budget and Taxation Committee:
Chair - Guy Guzzone - guy.guzzone@senate.state.md.us
Vice Chair - Jim Rosapepe - jim.rosapepe@senate.state.md.us

St. Mary's Senator
Senator Jack Bailey jack.bailey@senate.state.md.us

The St. Mary's County Chamber of Commerce and its Government Affairs Committee are currently tracking several bills this 2025 legislative session. Below is a summary of recommendations from the Chamber for the following bills:

HB1554/SB1045 - Sales and Use Tax - Taxable Business Services – Alterations
Altering the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifying the rate of the sales and use tax for certain labor and services.

POSITION: OPPOSE IN THE STRONGEST POSSIBLE TERMS. The Chamber believes it is self-evident that these bills would cost businesses tens of thousands of dollars annually and would be potentially catastrophic to small businesses. Additionally, these services are not taxed by Delaware and Virginia, which would put Maryland businesses at a significant disadvantage when competing against businesses in those states.

Submitted on behalf of the St. Mary's Chamber of Commerce Board,

Christine L. Bergmark, PhD
CEO/President

Cc: St. Mary's Board of County Commissioners
Commissioners of St. Mary's County Assistant Attorney, John Houser
Dave Weigel, Chair, St. Mary's Chamber Government Affairs
Jimmy Hayden, Chair, St. Mary's County Chamber of Commerce Board

HB1554 SB 1045 written testimony.pdf
Uploaded by: Christine Clingerman
Position: UNF

Subject: Opposition to HB 1554 / SB 1045 – Urging You to Vote NO

Dear Delegate Moon,

I hope this email finds you well. I am writing to express my strong opposition to HB 1554 / SB 1045 and to urge you to vote NO on this legislation.

I strongly encourage you to oppose HB 1554 / SB 1045 or any other proposal to extend the sales tax to professional services. In challenging economic times like these, the Maryland government should focus on fostering a climate that encourages economic growth and job creation. Extending the sales tax to professional services would harm economic growth, raise costs, cripple job creation and make Maryland less competitive. This bill would not only impose a tax on essential services but also introduce new compliance burdens.

Professional services can be rendered from anywhere. Our neighboring states and even international professional service providers don't tax these services. If this bill passes, businesses in Maryland will be at a significant disadvantage, with many clients likely to turn to service providers in neighboring states, like Virginia, where these services are not subject to sales tax. This would disproportionately harm Maryland-based Certified Public Accounting firms.

As an example, I have a significant real estate client located in Pennsylvania. If this bill passes, it is very likely they will seek accounting and tax services from firms outside of Maryland to avoid the new tax. The real estate industry is already struggling due to high interest rates, which drive up their costs. Imposing a tax on accounting and tax services would only worsen these difficulties, and our clients may very well turn to providers outside of Maryland.

In conclusion, I believe a sales tax on professional services will stifle business growth, raise costs, create compliance challenges, and make Maryland less competitive.

I ask that you carefully consider these concerns and vote NO on HB 1554 / SB 1045. I appreciate your time and service to our community and look forward to your response.

Sincerely,

Christine Clingerman, CPA
KatzAbosch
9690 Deereco Road
Suite 500
Timonium, MD 21093
410-828-6432
cclingerman@katzabosch.com

B2B Tax Testimony - SB 1054 - Opposed.pdf
Uploaded by: Christine Walters
Position: UNF

FiveL
COMPANY
Helping Leaders Limit their Liability by Learning the Law℠

March 10, 2025

Maryland General Assembly
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 1054 Sales and Use Tax - Taxable Business Services - Alterations

Honorable Chair Guzzone, Vice Chair Rosapepe, and Committee members,

My name is Christine V. Walters, J.D., MAS, SHRM-SCP, SPHR. I am an attorney licensed to practice law in the State of Maryland. I am a sole proprietor doing business as FiveL Company, providing human resources and employment law consulting services since 2002.

This week I and so many others will drive more than 100 miles and wait for several hours to talk to you and your colleagues in the House Ways and Means Committee for two minutes each (or less) to respectfully request an unfavorable report on this bill. Let me tell you why I have chosen to do so.

Many small businesses and sole proprietorships operate on a narrow margin that is subject to market volatility. In 2020, my revenue decreased by 40% over the prior year after COVID was declared a pandemic. In just the first two months of this calendar year, my revenue is down 60% compared to the same time last year. This is due to some of the federal Executive Orders and stop work orders that have impacted many of my small government contractor clients who have had to postpone or cancel services I provide to them.

Now, in addition to those fiscal challenges, this bill would require me to:

1. charge my clients who already face fiscal challenges, reductions in force, furloughs, and more an additional 2.5%;
2. be subject to pay this same tax as a recipient for the services I receive from most of my B2B service providers;
3. figure out which of my clients operate under one of the listed NAICS codes and create a way to track them in my bookkeeping system so I can apply the 2.5% tax to them but not to other clients who receive the exact same service but operate under a different NAICS code;
4. collect those taxes; and
5. send them to the state, I assume quarterly, and I suspect with some type of itemized accounting.

As of this writing (approximately 11:30 a.m. Monday morning), the fiscal note for this bill has not been published. I suspect when it is, it will read that the small business impact will be "meaningful." For this small proprietor, I can tell you it will be.

I ask you to PLEASE not impose this administrative burden on me and so many of your constituents. Since I started my practice 22 years ago, I have increased my hourly rate just three times – three times in 22 years! When my expenses increase, my first response is NOT to pass that onto my clients to increase more revenue. That is not even my second response. I assess where I can decrease expenses, and I do so. I expect my State to do the same.

For example, I understand the Governor's budget increases funding for State employee wages and benefits by $560 million. That seems to fly in the face of employees and employers in Maryland's private sector who are facing reductions in force, layoffs, and furloughs.

I also have some technical questions or concerns related to the bill. The bill expands the definition of a "taxable service" to include "THE FOLLOWING SERVICES IF BOTH THE PROVIDER OF THE SERVICE AND THE BUYER ARE BUSINESS ENTITIES …" and then lists 16 business services and one or more corresponding NAICS codes. The last bullet is preceded by "OR". As written, I find the following unclear.

- Must both entities operate under the <u>same</u> NAICS code listed or must both entities operate under <u>any one of</u> the NAICS listed code? I assume the latter as the former would be unlikely or at least less frequent.
- Many businesses operate under more than one NAICS code. How does such a business determine if it is covered under this proposal> Must more than 50% of the entity's business operations operate under a covered NAICS code or is it covered if it operates under any of the listed NAICS codes in any amount? If the former, how is that percentage to be measured or determined (by revenue? by budget allocation? by number of employees?) and who is responsible for doing so?
- Many businesses provide the same service to individual consumers as well as business customers. If that is correct, then this bill requires a covered business to develop a way to track for each service it offers, one of three codes: one for a service when it is provided to a consumer to whom this tax would not apply; a second for the same service when it is provided to a business operating under an NAICS code to which the tax would not apply; and a third for the same service when it is provided to a business operating under an NAICS code to which the tax would apply.
- What if my client pays late and I have not received payment for the tax at the time I am to pay it to the State, am I to advance that money? If so, will the State reimburse me or provide a tax credit for monies I am unable to collect?

For these reasons and more, I ask that you give this bill an unfavorable report. Thank you.

Respectfully submitted,

Christine Walters

Christine V. Walters, J.D., MAS, SHRM-SCP, SPHR

PO Box 1325 • Westminster, MD 21158 • PHONE: 410.848.4721 • info@FiveL.net • www.FiveL.net

SB 1045 - Testimony.pdf
Uploaded by: Christopher Stone
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a service based small business owner AND as the Board Chair of the Harford County Chamber of Commerce, I'm writing to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

1. **Disproportionate Impact on Small Businesses**

   Small businesses operate with tight margins and limited resources, making it difficult to absorb new taxes or handle services internally. Unlike large corporations, they depend on outsourced professional services for essential needs like accounting and technology support. Imposing this tax would increase annual costs by thousands, adding to existing economic pressures and potentially forcing tough decisions, such as raising prices, reducing staff, or scaling back growth investments.

2. **This Legislation Will Result in Pyramiding Taxes**

   Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

3. **Competitive Disadvantage in the Region**

   This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business and the membership in the Chamber located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

4. **Administrative Burden and Compliance Costs**

   Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

5. **Dangerous Precedent for Future Taxation**

   Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

6. **Cascading Tax Effect**

   The B2B tax differs from a traditional sales tax, as it is applied to business-to-business transactions at various production stages, resulting in a cascading "tax on tax" effect. These accumulated taxes are passed on to consumers, making the final cost increase significantly higher than the initial 2.5% rate.

While we support initiatives to maintain Maryland's fiscal stability, the best way to address budget challenges is by implementing policies that foster business growth and economic expansion. A strong business environment drives job creation and economic activity, leading to increased tax revenue naturally.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Chris M. Stone

Chris Stone

Co-founder, E-Moxie Data Solutions, Inc.

Chair, Harford County Chamber of Commerce

SB 1045 2025.pdf
Uploaded by: Christopher Warthen
Position: UNF

My Name is Chris Warthen, I am the Assistant Operations Manager for The George J Falter Company located @3501 Benson Avenue Baltimore Md 21227. We are the oldest Candy distributor in Maryland. We were founded in Baltimore City in 1878, and the same Falter family still owns and operates the company today. We have grown to carry a full line of convenience store items. We fear that the long-term future of the company and the 170 plus families we employ are in jeopardy with the continued TAX attacks the state of Maryland is forcing on us.

We are against SB 1045, Sale and Use Tax, Taxable Business Services. We are a distributing company that will indirectly be affected by this tax. All of our customers will be directly affected. I'm speaking for all our employees, and I would guess most people who live in Maryland. With everything going on the world at a federal and local level, Maryland, families cannot afford a 2.5% increase. We would lose business if SB1045 were to pass and that would force us to lay off employees.

I'm so confused with what the State is doing that my head is spinning. Every time you pass a new tax you are hurting the hard working families who live in Maryland. The exact families you think you're helping are the ones who can't afford to pay more taxes. How are families living paycheck to paycheck supposed to be able to continue to live with a 2.5% cost increase? Businesses can't magically create more money to pay employees. Families will be forced to adjust the way they live. Most will likely adjust the foods they buy. Being forced to buy less expensive, less healthy foods which have a long term impact on the State. Maybe they will have to skip some meals to keep a roof over their head. Christmas will be less if they can even continue to afford a Christmas. Vacations will no longer exist. Hotels and rentals will suffer, all the businesses that go along with a vacation will be hit hard. The list goes on and on. Crime will continue to rise, as people who are already struggling will feel they have no other option.

Sadly, If SB1045 were to pass more and more Maryland owned businesses who do things the right way will suffer. I owned a lawn and landscape business for 20 years. It was always difficult to be competitive with all the illegitimate competition. The businesses who do things the right way are the ones you're hurting! All of the illegal uninsured competition will thrive. How about you look at the companies who aren't paying all the current taxes instead of creating a new tax.

It seems funny to me that you pass these tax increases before you look at the wasteful spending yet that's exactly what a family will be forced to do. Does the State truly audit itself? Do you look at ways to cut spending. Let's start there and then see if it's really necessary to create a new tax that will put more of a burden the families who live and work in Maryland.

How about you take a good look at how the State of Maryland is spending our hard earned tax dollars, before you create a new tax!

Stop the TAX ATTACK on the people who live and work in Maryland!

We ask that you vote against SB1045.

BilloppositionMarch25.pdf
Uploaded by: Crisfield Chamber
Position: UNF

Crisfield Area Chamber of Commerce
906 W, Main St. P.O. Box 292
Crisfield, MD, 21817
410-968-2500
office@crisfieldchamberofcommerce.com
www.crisfieldchamber.org

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organization, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland

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businesses. For our members located near state borders (we are a 10 min boat or car ride to Virginia, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

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www.crisfieldchamber.org

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Hitesh Patel
President
Crisfield Area Chamber of Commerce

Opposition to SB 1045 and HB 1554.pdf
Uploaded by: Daniel Doherty
Position: UNF

The Maryland State Dental Association and the Maryland Society of Oral & Maxillofacial Surgeons Oppose SB 1045 and HB 1554 - Sales and Use Tax-Taxable Business Services - Alterations

Respectfully submitted by Daniel T. Doherty, Jr.

The Maryland State Dental Association (MSDA) and the Maryland Society of Oral & Maxillofacial Surgeons (MSOMS) are non-profit organizations representing a membership of licensed dentists. The purpose of each of these associations is to promote and encourage the advancement of the practice of dentistry through education, political and social endeavors. They provide their members with a variety of benefits such as: 1) discounted products/services from reliable companies; 2) assisting dental professionals in identifying quality providers of continuing education; 3) serving as a job search and recruitment resource center; and more. These two associations review and alert their members about new or changed federal and state regulatory requirements that affect the practice of dentistry and impact the delivery of care to Maryland dental patients. They work to protect their members from a variety of problems and pitfalls which confront the practicing dentist. These include wading through the quagmire of insurance laws, regulations and provider contracts. They undertake the evaluation of various legal and regulatory requirements, including: patient rights and confidentiality; prescription drug and monitoring mandates; radiation and infectious waste guidelines and requirements, etc. At all times, as associations representing "competitors in the market place", they must be diligent in following the anti-trust laws as they relate to competition. Vital to effectively providing these services on behalf of their members, the profession as a whole, and the dental patients of Maryland, they must employ the services of various professionals, including accountants, IT services, and legislative counsel.

SB 1045 and HB 1554 provide that "taxable service" includes the services they must obtain from their accountants, lobbyists, office support services, employee placement and recruitment services, and other services. Conservatively, this can constitute a tax liability for many Maryland professional associations of thousands, even tens of thousands of dollars annually. This liability will also extend to the charitable foundations affiliated with these associations. The MSDA's Maryland Foundation of Dentistry-Donated Dental Services, for example, which has been the conduit for delivering millions of dollars of pro bono dental care to individuals with disabilities who are uninsured, will incur sales tax liability under these bills which will hinder, rather than foster, its Mission. Likewise, the MSDA Foundation, which is the MSDA Charitable and Educational Foundation, will also suffer a substantial negative impact

Membership costs for most professional associations are also an issue. These organizations must have sufficient dues and non-dues income to sustain their offices, staff, costs of professional services in order to accomplish these goals. The impact of these taxes will require accessing members higher dues, with the potential effect of losing membership.

As noted, the costs of qualified professional services are not an insignificant budgetary item. However, the tax is even more impactful with respect to lobbying representation. Under Federal law, lobbying expenses are, to a large extent, not deductible as a business expense. Taxes on lobbying services are in essence double taxation. To tax these services will potentially limit the ability of these organizations to continue as advocates for dentistry and dental health, and limit their availability to the General Assembly as a resource on issues of dental health and dental care.

In this 21st Century, given the discrepancy between the financial resources of major business enterprises versus non-profit professional and charitable organizations, levying a 2.5% sales tax on lobbying services merely creates the unfortunate consequence of further impairing their ability to advocate “toe-to-toe” with big corporate and insurance interests.

The MSDA and the MSOMS Request that HB 1554 and SB 1045 receive Unfavorable Reports.

Submitted March 10, 2025
Daniel T. Doherty, Jr.

Letter SB1045.pdf
Uploaded by: Daniel Hack
Position: UNF

hackstone.

March 10, 2025

To: Senator Shelly Hettleman
RE: Bill SB1045

Hi Senator,

I am writing this letter to ask you to reconsider the Services Tax Bill (SB1045).

Running a small business is tough. It's already tougher in Maryland than many other states. My wife and I own a small video advertising agency in Baltimore. We have eight employees and the majority of our business comes from the DC and Northern Virginia area. Most of our competitors are also from those areas.

The advertising industry has been hit hard in the last few years and every dollar counts. Budgets are shrinking and we are having to fight hard for every account and project. Small as it may sound, an added tax would put us at a disadvantage. We now must bid against competitors just across the border who do not have the same tax burdens as us.

Our business has been in Maryland for 15 years because we love Maryland. But Maryland doesn't make it easy to run a business–especially a small one. Our lease is up in October and we are waiting to renew our lease based on this legislation.

Like many Baltimore businesses, we already have difficulty getting qualified employees to move here. **And with each new piece of legislation working against us, we are seriously considering leaving the state we love so much.**

We love it here but it's hard watching the Maryland advertising industry in survival mode while other states don't have the same challenges as us.

Please reconsider this legislation and help Maryland small businesses regain our footing.

Sincerely,

Daniel Hack

333 W OSTEND ST | BALTIMORE | MD | 21230 | HACKSTONE.COM

Testimony of Daniel Harrington SB 1045.pdf
Uploaded by: Daniel Harrington
Position: UNF

Testimony of Daniel L. Harrington, Jr. on behalf Grandizio, Wilkins, Little & Matthews, LLP
Opposition to SB1045 – Sales and Use Tax on Business Services
House Ways & Means Committee
March 12, 2025

Legislative Position: UNFAVORABLE

Chair Guzzone and Members of the Committee,

My name is Daniel L. Harrington, Jr., and I am a Certified Public Accountant (CPA) with over 25 years of experience in the accounting profession. Grandizio, Wilkins, Little & Matthews, LLP ("GWLM") is a Public Accounting firm employing over 45 individuals with offices in Hunt Valley and Millersville, MD and has been in existence since 1986. We work with thousands of small businesses across each of Maryland's counties, providing essential accounting and financial services that help them navigate complex tax and regulatory environments. We strongly oppose HB1554, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, financial planning, and consulting services. This bill will have significant negative consequences for Maryland businesses, professionals, and the broader state economy.

A Competitive Disadvantage for Maryland Businesses

The vast majority of Maryland's population and businesses are within an hour or less of states that do not impose such a tax. By implementing this tax, Maryland will place its businesses at a distinct competitive disadvantage. Companies will seek professional services in neighboring states, where they can avoid the additional tax burden. Given that many accounting services are now provided virtually, businesses will have little incentive to retain Maryland-based service providers when they can access the same expertise from tax-free jurisdictions just across the border.

Economic Impact and Additional Financial Burden

Taxes on businesses ultimately get passed down to the individual. Over the past five years, Maryland businesses and residents have faced extreme cost increases across numerous sectors. Additionally, recent federal budget cuts have significantly impacted Maryland due to our proximity to Washington, D.C., and the high number of federal contractors and employees in the state. Imposing a tax on essential business services would only exacerbate these financial pressures and create further economic instability.

Maryland's Track Record of Tax Policy Challenges

Past tax policy changes in Maryland have demonstrated the risks of poorly implemented tax structures. The pass-through entity (PTE) tax, for example, was mishandled and created undue burdens in both its initial implementation year and subsequent years. The latter was due, in large part, to a high volume of inaccurate tax notices issued by the state, resulting in confusion and administrative costs for businesses and tax professionals. HB1554 risks repeating these same mistakes, further eroding confidence in Maryland's tax policy administration.

Higher Costs, Reduced Business Revenue, and Economic Decline

For GWLM and many of our clients, this tax will increase operational costs. Some businesses may attempt to absorb the additional expense, impacting their bottom line, while others may have no choice but to pass it on to customers. Either way, Maryland businesses will suffer competitive disadvantages compared to those in states without this tax.

As businesses shift their service needs to providers outside of Maryland, we will see a decline in tax revenue over time, undermining any short-term gains the state hopes to achieve with this measure. The long-term impact will be a weakening of Maryland's economy, as businesses relocate or restructure to minimize their tax burden.

Conclusion: A Harmful and Short-Sighted Tax Policy

HB1554 is fundamentally flawed and will cause long-term harm to Maryland's economic growth and competitiveness. Instead of imposing additional financial burdens on businesses, lawmakers should focus on policies that promote economic expansion and job creation. For these reasons, I strongly urge the committee to issue an **UNFAVORABLE** report on HB1554.

Thank you for your time and consideration.

Daniel L. Harrington, Jr., CPA on behalf of Grandizio, Wilkins, Little & Matthews, LLP

SB1045_MAA_UNFAV.pdf
Uploaded by: Danielle Bauer Farace
Position: UNF

Maryland Arborist Association, Inc.

Danielle Bauer Farace
Executive Director

SB1045 – Sales and Use Tax - Taxable Business Services - Alterations

Committee: Budget and Taxation Date: March 10, 2025
MAA Position: **OPPOSED**

The Maryland Arborist Association, Inc. (MAA) works to promote the importance of proper tree care, education in the field of arboriculture, and support the accomplishments of arborists. We are writing to express the concern that we share with our member companies about the proposed service taxes included in SB 1045, especially as most of these companies are small and minority-owned businesses.

First and foremost is the **unarguable administrative burden** that this legislation will place on our member companies. Arborist services are included under NAICS code 5617, which the bill states is a taxable service. Tree care companies do not currently charge, track, or remit service tax, and establishing a system to do so for commercial vs residential accounts will be exceptionally arduous. **The July 1, 2025 effective date is simply unattainable** to establish the processes to do so. It will also be costly, likely requiring businesses, especially small businesses, to hire additional staff at a time when it is increasingly difficult to do so. Even if a company utilizes a third-party service to aid in this process, they will then have to pay service tax on top of the extra cost- of-doing-business.

On this point, there will be **additional costs-of-doing-business increases** for our member companies under this legislation. Many of our member companies rely on the use of other businesses for bookkeeping, human relations, software/IT, website hosting, tax preparation, payroll, and office management services, all of which they would now be required to pay 2.5% tax on. These costs will ultimately be passed along to customers, both commercial and residential. Maryland is already viewed as an unfriendly state for business (47th out of 50), and this bill would diminish that ranking even further.

Furthermore, this legislation places Maryland tree care companies at an **even greater competitive disadvantage** among those in neighboring states. Maryland is the only state in the Mid-Atlantic region that requires a license to perform tree care work, which is already an additional cost for our members. It is very likely that customers will utilize out-of-state companies who are not licensed and do not have to charge service tax for a cheaper rate. **This undermines the Maryland Tree Expert law and puts both workers and consumers at risk.** Even after raising licensing and renewal fees in last year's General Assembly, the Maryland

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Department of Natural Resources is still gravely understaffed and underfunded to provide the enforcement needed as-is and an influx of out-of-state tree care companies will exacerbate this.

Due to the impact on Maryland's tree care industry, **MAA requests your unfavorable report on SB 1045**.

Sincerely,

Danielle Bauer Farace
Executive Director

SB1045_MDVMA_UNFAV.pdf
Uploaded by: Danielle Bauer Farace
Position: UNF

Maryland Veterinary Medical Association (MDVMA)
Established in 1886, MDVMA is a volunteer, non-profit organization comprised primarily of licensed Maryland Veterinarians.

SB1045 - Sales and Use Tax - Taxable Business Services - Alterations

Committee: Budget and Taxation **March 10, 2025**

MDVMA Position: OPPOSE

The Maryland Veterinary Medical Association (MDVMA) is a dedicated community of veterinary professionals committed to advancing veterinary medicine and improving the lives of those it serves. For this reason, we strongly urge your opposition to SB1045. On behalf of our members, we are deeply concerned that the proposed service tax on essential business services will increase operational costs for veterinary practices, limit access to care for pets and animals, and jeopardize the financial stability of clinics—particularly those in rural and underserved areas.

Veterinarians depend on a variety of essential services—such as accounting, bookkeeping, payroll, IT, web hosting, marketing, landscaping, property maintenance, and repair services—to run their practices efficiently. The imposition of a service tax on these necessities will drive up business costs, which will inevitably be passed on to clients, exacerbating the already exorbitant cost of veterinary care for pets and food animals. This added expense could discourage pet owners from seeking preventive care, ultimately harming the health of animals and increasing the financial burden on owners. For food animal care, these costs will ripple down the supply chain, burdening Maryland consumers who are already struggling.

Furthermore, while there is an expressed need to expand veterinary services across the state, SB1045 would undermine these efforts by imposing a service tax on relief veterinarians and 1099 contractors. Over time, this will reduce revenue for practices, potentially leading to layoffs, salary cuts, and closures, which would significantly impact employment in the veterinary field. Smaller, rural, and underserved veterinary clinics, already operating with limited clientele and lower income, would be especially affected, reducing their capacity to provide essential care and leaving these communities with fewer resources for animal health.

Given the significant negative impact on veterinarians, their clients, and the wider Maryland community, the MDVMA strongly requests an unfavorable report on SB1045.

Respectfully Submitted,

Danielle Bauer Farace
Executive Director
Maryland Veterinary Medical Association

PO Box 387 | Cordova, MD 21625 | Ph: (410) 305-7083 | danielle@MDVMA.org | MDVMA.org

SB1045_RRC_UNFAV.pdf
Uploaded by: Danielle Bauer Farace
Position: UNF

Rural Rhythm Consulting, LLC

Danielle Bauer Farace, Owner

443-812-4526 | danielle.rrconsulting@gmail.com

Offering customized administrative and communication solutions to the agricultural and green industries.

SB1045 - Sales and Use Tax - Taxable Business Services – Alterations

Committee: Budget and Taxation March 10, 2025

Position: OPPOSE

Chair Guzzone and Members of the Committee:

I am expressing my strong opposition to SB1045 as a Maryland-based woman-owned small business. As a sole proprietor LLC, the administrative burden this legislation would create would significantly harm my business. Currently, I operate without employees due to the time and costs associated with tax reporting, choosing instead to work with independent contractors for greater efficiency. However, this legislation would impose the same administrative challenges, stifling the growth of my business.

Moreover, SB1045 would place my business at a competitive disadvantage, as out-of-state competitors are not subject to these additional costs. I live just 2.5 miles from the Delaware state line and have several clients in Delaware, which benefits Maryland through income tax. Unfortunately, these clients are likely to seek services elsewhere to avoid the additional service tax, which will create a financial strain on my business and ultimately reduce revenue for Maryland.

I am also concerned about the negative impact on my clients, many of whom are 501(c) organizations incorporated in Maryland. With no exemption for non-profits in the bill's current language, these organizations would be subject to the same taxes as for-profit businesses, diverting funds from their missions to provide public good and community services.

In summary, SB1045 would impose costly administrative burdens, hinder my business's growth, put me at a competitive disadvantage, and increase the operational costs of my clients, particularly non-profits. For these reasons, I respectfully request an unfavorable report on this legislation.

Submitted,

Danielle Bauer Farace

Danielle Bauer Farace, Owner
Rural Rhythm Consulting, LLC

UNFAVORABLE Testimony.pdf
Uploaded by: Danielle Isenberg
Position: UNF

TESTIMONY IN OPPOSITION TO THE PROPOSED SALES TAX ON PROFESSIONAL SERVICES

Submitted to the House Ways and Means Committee

RE: HB 1554

March 12, 2025

Legislative Position: Unfavorable

By Danielle Isenberg

P & G Built Solutions, Inc

Chair Atterbeary and Members of the Committee,

My name is Danielle Isenberg and I work for P & G Built Solutions, Inc a Public Accounting Firm in Baltimore County, Maryland. I appreciate the opportunity to provide testimony today in strong opposition to the proposed tax on professional services.

SMALL BUSINESSES WILL BEAR THE BIGGEST BURDEN

If Maryland lawmakers move forward with this proposal, 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 tax is just another line item in their budget. But for a small business? It's the difference between hiring another employee or 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: TAXING COMPLIANCE ITSELF

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."

This proposal places an unfair burden on Maryland's small businesses, making it more costly to operate, grow, and comply with state regulations. I strongly urge you to reject this tax on professional services and stand with Maryland's small business community.

Thank you for your time and consideration. I am happy to answer any questions.

Danielle Isenberg
P & G Built Solutions, Inc
DIsenberg@PGBuilt.com, 410-823-1285

SB 1045 – Sales and Use Tax - Taxable Business Ser
Uploaded by: Danna Blum
Position: UNF

Carroll County CHAMBER of Commerce

March 6, 2025

Budget and Taxation Committee
Senator Guy Guzzone
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB 1045 – Sales and Use Tax - Taxable Business Services – Alterations – **Oppose**

Dear Senator Guzzone:

We are writing to express our strong opposition to the proposed 2.5% tax on business-to-business (B2B) services outlined in HB 1554 and SB 1045. As an organization that supports businesses, we are deeply concerned about the potential negative consequences this tax would have on Maryland's business environment, particularly for small businesses and entrepreneurs.

The proposed tax, would apply to a wide range of essential services such as accounting, marketing, IT support, human resources consulting, IT services, data processing and web hosting and many more essential services that most small businesses do not handle in-house.

The additional expense would place a heavy financial burden on businesses already struggling to manage rising operational costs. In particular, small businesses, which rely on affordable services to maintain their competitiveness, would be disproportionately impacted. This tax would raise their costs and, in many cases, force them to reduce or even eliminate crucial services that are necessary for their growth and survival. Also, does this mean that sole-proprietors would be required to apply for a sales and use tax license and file monthly reports?

Many small businesses are subs to large companies on government contractors. A 2.5% tax means a prime contractor has to pay 2.5% more for a sub's time, and most likely, they won't have room for that "rate increase" since they are bound by rates in a contract with the government. In the end, the sub most likely would have to eat/absorb it, which means they will be making 2.5% less.

Rather than taxing vital business services, Maryland should focus on measures that support economic growth, reduce the burden on small businesses, and encourage investment in our state. Implementing a broad-based B2B tax would not only increase costs for businesses but also negatively impact the overall economic health of Maryland.

Carroll County CHAMBER of Commerce

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, **opposes** this bill. We therefore request that you give this bill an **unfavorable** report.

Sincerely,

Mike McMullin

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson
Senator Justin Ready

SB1045_UNF_Lifespan_Sales & Use Tax - Taxable Busi
Uploaded by: Danna Kauffman
Position: UNF

LifeSpan Network

Keeping You Connected…Expanding Your Potential…
In Senior Care and Services

Senate Budget and Taxation Committee
March 12, 2025
Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*
POSITION: OPPOSE

On behalf of the LifeSpan Network, the largest and most diverse senior care provider association in Maryland representing nursing facilities, assisted living providers, continuing care retirement communities, medical adult day care centers, senior housing communities and other home and community-based services, we respectfully oppose Senate Bill 1045.

Senate Bill 1045 would impose a 2.5% tax on certain services provided by one business to another. Several of the identified services, such as billing and record keeping, electronic health records, and staffing agencies, would impose a significant financial burden on the members of the LifeSpan Network that provide care to the State's elderly and vulnerable residents, often through State and federal programs, such as the Medicaid program. For those that participate in these programs, this tax becomes an unfunded mandate on a system that is already underfunded and fails to cover the cost to provide the care.

Unlike other businesses, this tax cannot be passed on to the individuals who receive the care. For those that do not participate in State and/or federal programs, the ability to pass the tax on is also limited. Passing the tax will result in higher health care costs. Given that many of the clients are on fixed incomes, the State runs the risk of those clients paying more, spending down their resources and ultimately requiring State assistance at a higher cost to the State.

Exacerbating the above funding issues is the fact that the corporate structure of many of these entities is such that the tax will result in intracompany taxable services. In this scenario, one entity may provide employment services or business services, such as human resources and IT services to another affiliated entity. Under the bill, these services will be subject to the tax as if they were being performed by two completely different entities rather than an entity with a common relationship.

Therefore, for these reasons, we oppose Senate Bill 1045. At the very least, entities that provide health care services should be exempted from this bill.

For more information call:
Danna L. Kauffman
Christine K. Krone
410-244-7000

SB1045_UNF_MAADS, MNCHA_Sales & Use Tax - Taxable

Uploaded by: Danna Kauffman

Position: UNF

Maryland Association of Adult Day Services
MAADS
Managed by LifeSpan

mncha
Home Health • Private Duty
Home Medical Equipment

Senate Budget and Taxation Committee
March 12, 2025
Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*
POSITION: OPPOSE

We oppose Senate Bill 1045 on behalf of the Maryland Association of Adult Day Services (MAADS) and the Maryland-National Capital Homecare Association (MNCHA). Senate Bill 1045 would impose a 2.5% tax on certain services one business provides to another. Our respective members provide care to individuals in the community, such as medical adult day care centers or in a person's home, thereby avoiding more costly settings like nursing homes and hospitals.

Several of the identified services, such as billing and record keeping, accounting, electronic health records, and staffing agencies, would impose a significant financial burden on the members of MAADS and MNCHA. During this Session, our members are facing losing the 1% rate increase contained in the proposed Fiscal Year 2026 budget and a possible 2% rate reduction, as the Department of Legislative Services recommended.

Maryland must do better to ensure that community-based services can continue to operate in this State. Senate Bill 1045 will have the opposite effect. Senate Bill 1045 can be characterized as an unfunded mandate. Because so many of the programs participate in the State's Medicaid program, the ability to pass the cost of this tax on to clients is not permitted for Medicaid recipients. For private pay patients, it becomes problematic due to State regulations and the concern that passing on the tax will only increase health care costs for many on a fixed income. As a result, the State is at risk of those individuals spending down their resources and needing to go on Medicaid at a higher cost to the State.

Home-and-community-based services continue to struggle. This is often due to low reimbursement and the State's inability to address the backlog of client applications waiting for services. Because of this backlog, the census in these programs, whether medical adult day centers or home care agencies, is significantly reduced. Ironically, this failure often leads to higher costs for the State when those applicants eventually need to seek care in higher-cost settings. Imposing an additional tax on these entities will indeed have the effect of causing some to finally close their doors, resulting in an access to care problem. Taxing these entities is not the solution Maryland needs to address its budget deficit.

Therefore, we oppose Senate Bill 1045 and ask that health care services be exempted if the bill moves forward.

For more information:
Danna L. Kauffman
Andrew G. Vetter
Christine K. Krone
(410) 244-7000

Senate Bill 1045 - D. Clark written testimony.pdf
Uploaded by: Darren Clark
Position: UNF

Senate Bill 1045 – Testimony in Opposition
Date: [March 10, 2025]
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

My name is Darren Clark, a proud Democrat and the founder of Clark Computer Services and Clark Building Technologies, both based here in Maryland. Over the past two decades, we've dedicated ourselves to providing top-notch IT support and technology solutions to a diverse clientele, including businesses, municipalities, and organizations that rely on our expertise to keep their operations running smoothly.

I am writing today to express my strong opposition to Senate Bill 1045, which proposes a 2.5% sales tax on essential business-to-business (B2B) services, encompassing IT support, consulting, and various other professional services. Implementing such a tax during these challenging economic times is, quite frankly, a bad idea at a bad time.

Economic Challenges and the Need for Fiscal Prudence

Our state is currently grappling with a significant $3 billion budget deficit, a situation that demands careful and strategic financial decisions. Governor Wes Moore has rightly emphasized the importance of efficiency and cost-cutting measures to address this shortfall, proposing $2 billion in spending reductions across state government. Introducing a new tax on B2B services contradicts this approach and places an undue burden on small businesses that are already navigating a fragile economy.

Maryland's Business Climate: A Call for Improvement

Historically, Maryland's economic growth has lagged behind national averages. Over the past decade, our state's gross domestic product (GDP) grew by only 11%, compared to a 23% growth nationally. This sluggish growth underscores the need to make Maryland a more business-friendly environment, encouraging investment and economic development. Implementing a tax that hampers small businesses is counterproductive to these goals.

Impact on Small Businesses: The Backbone of Our Economy

Small businesses like mine operate on tight margins and often rely on outsourced services such as accounting, IT support, and consulting to function effectively. Imposing a tax on these essential services would force many of us to make difficult choices: either absorb the additional costs, which could threaten our financial viability, or pass them on to our clients, many of whom are also small businesses. This creates a ripple effect, increasing operational costs across the board and stifling economic growth.

Competitive Disadvantage: Neighboring States Stand to Benefit

Neighboring states like Virginia and Delaware do not impose similar taxes on B2B services. By implementing this tax, Maryland risks driving businesses to relocate to these more tax-friendly states, resulting in job losses and a diminished tax base. At a time when we should be attracting businesses, this tax serves as a deterrent.

A Time for Fiscal Responsibility, Not Increased Taxation

As a Democrat, I understand the need for revenue to support vital public services. However, introducing new taxes during an economic downturn is not the solution. Instead, we should focus on prudent fiscal management, identifying inefficiencies, and cutting unnecessary expenditures. This approach aligns with Governor Moore's emphasis on efficiency and cost-cutting to address our budgetary challenges.

Conclusion

For these reasons, I strongly urge the committee to reject Senate Bill 1045. Let's focus on making Maryland a more attractive place for businesses by streamlining government operations and reducing unnecessary spending, rather than imposing additional financial burdens on the very entities that drive our economy.

Thank you for considering my testimony.

Sincerely,

Darren Clark
Founder & CEO, Clark Computer Services & Clark Building Technologies

Senate bill 1045.pdf
Uploaded by: Darrin Benning
Position: UNF

Senate Bill 1045
Date: March 9, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I own All Around RV Inspections, LLC, a Maryland company formed in 2022. My company offers services related to recreation vehicles for both travel trailers and motor homes. My business offers certified pre-purchase inspections for clients, documenting the condition of the RV before the unit is paid for. My company also offers new owner training and general RV consulting for RV owners. Company services are provided throughout the state of Maryland and neighboring states.

I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that my business relies on every day, including accounting, IT support, consulting, and many others.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

My small business operates on a thin margin and lacks the resources to absorb new taxes or bring services in-house. Unlike large corporations, my small business relies heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add a disproportionate amount of new expenses for my struggling new business. My business is already struggling with economic pressures, potentially forcing difficult choices between raising prices or cutting investments in growth. Being a very new business, the possibility of closing the business due to the increased costs in this legislation is a very real possibility!

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for my business. All Around RV Inspections, LLC is a business that competes for business in neighboring states. My company is at a disadvantage because my competitors are not going to be subject to the proposed tax, putting my company at an immediate disadvantage.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for my business tracking, collecting, and remitting this new tax. This means additional accounting costs and time spent on compliance rather than growing my business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the Senate to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Darrin Benning
Owner
All Around RV Inspections, LLC

Senate Bill 1045 March 2025.pdf
Uploaded by: David Satterfield
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

David M. Satterfield
Principal
David M. Satterfield, CPA

opposition to HB1554.pdf
Uploaded by: Deanna Joseph
Position: UNF

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301-695-5466 (LIMO) * 301-829-7999 * 866-829-7999

March 10, 2025

Subject: Strong Opposition to HB 1554/SB 1045 – Protect Maryland's Small Businesses

Dear Senator Hettleman,

My husband and I own a limousine business based in Frederick, Maryland. My husband, Len Joseph, serves as President of the Maryland Livery Association. Our company employs 40 to 50 individuals and operates within 20 miles of the Virginia and West Virginia state lines. We contend daily with significant challenges, including severe congestion along the I-270 corridor, ever-increasing operational costs, and the persistent issue of unregulated, illegal operators that the Public Service Commission refuses to investigate or penalize.

While we are categorized as a luxury service, our operations extend far beyond that—we provide private airport transportation, corporate transportation, and even school bus services for Carroll County. In light of the recent federal employee layoffs and broader economic uncertainties, it is incomprehensible that Maryland's leadership would choose to impose additional tax burdens on small businesses instead of exploring ways to reduce government spending.

The proposed business-to-business (B2B) sales tax under HB 1554/SB 1045 sets a dangerous precedent that will inevitably lead to broader tax expansions. History has shown that once such a tax is implemented, it does not remain limited to its initial targets—other industries will be affected next, compounding the financial strain on both businesses and consumers. This will place Maryland businesses at a severe competitive disadvantage, as customers will turn to neighboring states with lower costs rather than supporting local businesses.

Other states have previously considered B2B taxation and overwhelmingly rejected or repealed it due to the harmful consequences—job losses, lower wages, and businesses relocating to more favorable economic environments. Maryland should learn from these examples rather than repeat past mistakes.

Beyond its impact on businesses, this tax will ultimately hurt consumers, who will face higher prices as increased costs ripple through the economy. The economic consequences will be far-reaching and detrimental to Maryland's overall competitiveness.

I urge you to oppose HB 1554/SB 1045 and to prioritize policies that support, rather than hinder, the small businesses that are the backbone of our state's economy. Maryland cannot afford to lose jobs, businesses, and economic growth due to ill-advised taxation policies.

Sincerely,

Deanna Joseph

On The Town Limousines, Inc

5112 Pegasus Court, Suite V

Frederick, MD 21704

301-695-5466

Deanna@onthetownlimousines.com

ADO - 2025 Deb Testimony MD HB 1554 SB 1045.pdf
Uploaded by: Deb Peters
Position: UNF

Chair and Members of the Committee,

My name is Deb Peters, a former South Dakota State Senator and Certified Public Accountant. I was the driving force behind *South Dakota v. Wayfair*, the landmark case that reshaped sales tax collection and nexus rules. Over the years, Maryland has benefited significantly from the revenue generated by e-commerce sales tax collection.

I am representing the Americans for Digital Opportunity powered by the Association of National Advertisers, testifying in opposition to HB 1554 and SB 1045. This proposal would create a litany of unnecessary legal and administrative burdens for the state.

Maryland is already embroiled in litigation over its 2021 digital advertising gross receipts tax, with litigation still ongoing. Enacting this additional, complex tax measures will only invite further legal challenges.

The proposed legislation will effectively impose two different sales tax rates - 6% on tangible personal property and 2.5% on business-to-business services, raises significant constitutional concerns. It conflicts with both the *Wayfair* decision and the Dormant Commerce Clause by creating unnecessary complexity without addressing the need for simplification and uniformity.

The Supreme Court, in *Wayfair*, emphasized that tax policies must be structured to reduce administrative burdens. South Dakota's approach did this by establishing clear sales and transaction thresholds to protect small businesses, ensuring the tax was not retroactive, and participating in the Streamlined Sales and Use Tax Agreement to simplify compliance. Maryland, by contrast, has not taken similar steps. Instead, these bills introduce new complexities and provide no protections for small businesses, making compliance more costly and difficult.

Beyond these practical concerns, the bills raise serious constitutional issues. The Supreme Court's *Complete Auto Transit v. Brady* (1977) decision established a four-part test for state taxes under the Dormant Commerce Clause, and Maryland's proposal fails to meet these standards. It is unclear how the state will determine nexus for remote services, particularly with today's digital economy. If other states also impose taxes on these services, businesses could face double taxation and an overwhelming administrative burden.

Additionally, there is no clear framework for how digital advertising, which spans multiple states, would be sourced and taxed. Maryland has not demonstrated how these taxes fairly relate to the services provided to impacted businesses, further weakening the case for their implementation.

With Maryland already facing legal challenges over its digital advertising tax, this new proposal would only add to the uncertainty, potentially leading to double or even triple taxation of the same services.

The administrative complexity of enforcing a sales tax on services is another major concern. Unlike tangible goods, services are not tied to a single location. Many providers already pay income tax - now Maryland proposes layering an additional sales tax on top, without a clear plan for tracking, sourcing, and enforcing compliance. Given that people from all over the world provide services into Maryland, how will the state prove that it has the sourcing jurisdiction to apply and demand tax to be collected?

These bills introduce more legal uncertainty, increase compliance burdens, and will likely lead to costly litigation, while hurting businesses and making Maryland less competitive.

For all these reasons, I ask you for an unfavorable report on HB 1554 and SB 1045.

SB 1045 - Tropix Laundromat.pdf

Uploaded by: Dennis Mejillones

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I represent Tropix Laundromat, as well as Lavado Laundry Services, two local business organizations , I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Tropix Laundromat/Lavado Laundry located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Dennis Mejillones
Owner/Manager
Tropix Laundromat/Lavado Laundry
Support@TropixLaundromat.com
954-401-5636
18532 Woodfield Rd, Gaithersburg MD 20879

SB1045_OCChamber_Thompson_UNF.pdf
Uploaded by: DENNIS RASMUSSEN
Position: UNF

Ocean City, Maryland
Chamber of Commerce
410-213-0144 info@oceancity.org
oceancity.org 12320 Ocean Gateway, Ocean City, MD 21842

TESTIMONY OFFERED ON BEHALF OF
THE GREATER OCEAN CITY MARYLAND CHAMBER OF COMMERCE

IN OPPOSITION TO:
SB1045 – Sales and Use Tax - Taxable Business Services - Alterations

Before:
Senate Budget & Taxation Committee
Hearing: 3/12/2025 at 3:00 PM

The Greater Ocean City Chamber of Commerce, representing more than 700 regional businesses and job creators, respectfully **OPPOSES SENATE BILL HB1045 – Sales and Use Tax - Taxable Business Services - Alterations.** This legislation proposes "altering the definitions of 'taxable price' and 'taxable service' for the purposes of certain provisions of law governing the sales and use tax to impose the 2.5% tax on certain laborers and services if both the provider of the service and the buyer are business entities."

The business-to-business tax will focus primarily on taxing professional services such as those provided by certified public accountants, lobbyists and consultants. The tax also applies to other services commonly used by businesses such as packaging and labeling, internet technology, design, advertising and public relations, security, and equipment repair. This tax, as reported, will generate $1 billion for the State.

Maryland is already struggling with rising costs – to add a new 2.5% tax on business-to-business services will only further **drive costs up for businesses and inevitably will be passed along to consumers.** If the State legislature is serious in making Maryland more competitive for business, this legislation is not aligned with that goal and will result in Maryland businesses relocating to our neighboring states of Delaware and Virginia, which particularly impacts small businesses in Ocean City.

Should the legislature move forward with this proposed tax hike, the real victims won't be big corporations — they'll be small businesses. Small businesses already operate on razor-thin margins, this tax puts small businesses at risk. They rely on professional services — accounting, tax preparation, legal, and consulting — to stay compliant, manage payroll, and make informed financial decisions. To impose a sales tax on those very services, the legislation will make it more expensive for small businesses to do business.

Here at the Greater Ocean City Chamber of Commerce, we've done the math: if passed, this piece of legislation would increase our expenses by $8,000, none of which would be money invested in supporting our local business community, which is our mission.

The Greater Ocean City Chamber respectfully requests an **UNFAVORABLE REPORT for SB1045**. Please feel free to contact the Chamber directly on 410-213-0144 should you have any questions.

Respectfully submitted,

Amy Thompson
Executive Director
amy@oceancity.org

Bob Thompson
Legislative Committee Chair
bob@t1built.com

SB 1045 - Sample Testimony.pdf
Uploaded by: Dewan Clayborn
Position: UNF

Central Maryland Chamber
Conduit of Commerce

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

The Central Maryland Chamber of Commerce (CMC) was formed in 2017 through the merger of the Baltimore Washington Corridor Chamber (founded in 1948) and the West Anne Arundel County Chamber (founded in 1962). CMC now represents approximately 400 businesses in the Central Maryland corridor, serving as the primary business resource and advocate as the area experiences significant growth. I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Central Maryland Chamber located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Dewan Clayborn
President & CEO
Central Maryland Chamber of Commerce

SB1045_UNF_MTC_Sales & Use Tax - Taxable Business

Uploaded by: Drew Vetter

Position: UNF

MARYLAND TECH COUNCIL
ADVANCING LIFE SCIENCES AND TECHNOLOGY

Senate Budget and Taxation Committee
March 12, 2025
Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*
POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of opposition for Senate Bill 1045.

This bill would impose a 2.5% sales and use tax on a broad range of business-to-business (B2B) services. We informed our membership about this proposal and have received universally negative responses to the proposed B2B sales tax. There are a number of B2B service categories that are routinely used by MTC member companies, which means that these companies, mostly small and local tech and life science companies, would face a significant additional tax burden for operating in Maryland. Our members are particularly concerned about service categories, such as accounting, bookkeeping, and payroll services, management, scientific, and technical consulting services, scientific research and development services, and others.

As previously stated, numerous MTC member companies have come forward to speak about the potential negative consequences of this proposal. One such company includes a Baltimore City-based minority-owned company in the IT services and consulting industry that employs approximately 50 people, that has been doing business in Maryland for over three decades. This company states this bill would be a "near-fatal blow to our company." Companies like this often employ consultants and subcontractors, rely on outside accounting firms, and team with firms to provide specific IT expertise. Under this proposal, the business would be taxed at its operating and overhead cost level as their providers and partners collect the additional 2.5% B2B sales tax. Not only would this company be impacted, but they have over a dozen service businesses and self-employed teaming partners that would also be impacted. While it is difficult to determine the precise impact of this bill, this company fears it could eliminate their entire margin. This company will be forced to evaluate its location in Maryland, where it has operated for decades. Another MTC member company stated that "I have no reason to keep my businesses operating out of Maryland other than I like the people, the climate, and the history, therefore, I would not hesitate to relocate both to a small-business-friendly state like Virginia or Delaware." Numerous other companies have expressed their concerns about this proposal and have been emailing their General Assembly representatives directly.

Governor Moore has repeatedly spoken about making life science and IT strategic industry sectors for investment and the need to have a strategy to grow these sectors. We agree with the Governor's sentiment. However, the additional 2.5% B2B sales tax is in direct contrast to that goal and risks to undermine efforts to support these industries. MTC has consistently urged the General Assembly to view its actions through a lens of economic competitiveness. This proposal will put Maryland at a disadvantage in growing, attracting, and retaining businesses, including those in the life sciences and technology sectors. Maryland is already a costly state to conduct business; this proposal would further exacerbate those operating costs. We encourage the General Assembly to reject the proposed 2.5% B2B tax.

For more information call:
Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

CalvertCounty_UNFAV_SB1045.pdf

Uploaded by: Earl Hance

Position: UNF

CALVERT COUNTY
BOARD OF COUNTY COMMISSIONERS

175 Main Street
Prince Frederick, Maryland 20678
410-535-1600 • 301-855-1243
www.calvertcountymd.gov

March 10, 2025

<u>VIA ELECTRONIC MAIL</u>
The Honorable Senator Guy Guzzone, Chair
Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB1045/HB1554 – Sales and Use Tax – Taxable Business Services - Alterations

Chair Guzzone, Vice Chair Rosapepe, and Committee Members:

We respectfully urge an **UNFAVORABLE** report on **SB1045** because its implementation would engender significant adverse consequences for local businesses, economic growth, and the State's overall competitive posture. The proposed taxation of professional services would impose a disproportionate financial burden on Maryland businesses, particularly small and medium-sized enterprises (SMEs) that rely on these services for operational efficiency. Furthermore, the expansion of the tax to encompass essential consumer services represents an unprecedented and regressive fiscal measure.

This expansion of the tax structure would not only discourage business investment within Maryland but also diminish the State's attractiveness as a destination for new and expanding enterprises, thereby impeding job creation and economic development. Given Maryland's geographic proximity to neighboring states, the imposition of this tax would incentivize businesses to procure services from out-of-state providers, resulting in a substantial loss of revenue and economic activity within Maryland.

Moreover, the implementation and enforcement of such a comprehensive tax structure would present formidable administrative complexities, leading to increased compliance costs for businesses and potentially triggering unintended financial strain on service providers and consumers. This measure would effectively elevate the cost of essential services for Maryland residents while simultaneously placing an undue burden on SMEs through heightened fees and diminished consumer spending.

Calvert County's economic vitality is predicated on a diverse and robust business ecosystem that fosters job growth and economic resilience. SB1045/HB1554 threatens this stability by introducing new financial encumbrances that would increase the cost of conducting business in Maryland, thereby discouraging entrepreneurship and hindering business retention. We appreciate your thorough consideration of our position on this critical matter. Should you require any further information or clarification, please do not hesitate to contact County Administrator Julian M. Willis at 410-535-1600, extension 2202, or Economic Development Director Julie Oberg at 410-535-1600, extension 2485.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
CALVERT COUNTY, MARYLAND

Earl Hance
Earl F. Hance, President

Todd M. Ireland
Todd Ireland, Vice President

Mark C. Cox Sr.
Mark C. Cox Sr.

Catherine M. Grasso
Catherine M. Grasso

Mike Hart
Mike Hart

cc: Calvert County Senators and Calvert County Delegation

House Bill 1554 - Senate Bill 1045.pdf
Uploaded by: Edward English III
Position: UNF

March 10, 2025 Edward English

The restraints on growth from the poor economy are something business leaders can combat and have done so in the past. However; we are still recovering from Covid loans and losses, a poor economy, increased payroll due to Annapolis's mistaking a starting wage for a living wage, now endless fees and taxes with no relief in sight.

Sadly, my best advice to any entrepreneur considering opening a small business is "not in Maryland", unless you are a non-profit with Government contracts.

Our family business started back in 1943 in Baltimore. Four generations later, we cannot afford to expand and grow in our beloved state when every surrounding state offers better opportunities.

But who will this tax increase really hurt the most? Middle class and lower income citizens that's who. Small businesses are the leading employers in Maryland. When employers are forced to cut back, payroll is affected first. Price increases are second and moving to Pennsylvania, Virginia or Delaware are the third and final stage. How can Maryland's economy benefit from this?

This tax strategy is like putting a band-aid on an ever worsening wound. We need to re examine our spending issues before middle class is just a dream for Maryland's hard working citizens.

I urge you to reconsider this option for revenue gains. I project this will cause long term damages that will out way and cost more than the revenue gains. I worry about Maryland's future as a father and a member of a family business that would like to be around for another 82 years.

Testimony for MD Senate Bill 1045 3-10-25.pdf
Uploaded by: EILEEN RAMOS
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Eileen Ramos, CPA
Sole Proprietor

TESTIMONY FOR SB1045 Mar 10 2025.pdf

Uploaded by: Ellen Silverstein

Position: UNF

The Honorable Guy Guzzone
Chair, Senate Budget & 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 Guzzone and Committee Members:

I am writing to express my strong opposition to Senate Bill 1045 as a MD licensed Certified Public Accountant and member of the Maryland Society of Accounting and Tax Professionals (MSATP). My practice is based in Clarksburg/Montgomery County, where I have been serving Maryland taxpayers and businesses for over 33 years.

This legislation, which would impose a 2.5% sales tax on accounting, tax preparation, and bookkeeping services provided to business entities, would have severe negative consequences for both my practice and the 100 plus Maryland small businesses I serve.

The impact on my practice would be immediate and substantial. As a solo practitioner with two employees, I operate with limited resources and tight margins. Implementing this tax would require significant investments in technology, staff training, and client education – a substantial burden for a small professional practice like mine.

I find it particularly troubling that while accounting services would be subject to this new tax, legal services are conspicuously excluded. This creates an unfair competitive disadvantage where approximately 188,917 accounting businesses would be taxed, while 359,026 legal service businesses would remain exempt. This selective application raises serious questions about equity and fairness in our tax system.

More concerning is how this tax would affect my clients. Most small businesses already operate on thin margins (especially under current economic conditions), these increased costs could lead to difficult decisions about reducing their use of professional services.

From my professional experience helping businesses maintain tax compliance, I can tell you with certainty that this legislation would have unintended consequences. Some of my clients

Ellen S. Silverstein
Certified Public Accountant
PO BOX 180, Clarksburg, MD 20871-0180
301-355-4980/fax 301-355-4981; Ellen@EllenSCPA.com

would inevitably reduce their use of professional accounting services, potentially leading to errors in tax filings, missed deductions, and even unintentional non-compliance – outcomes that benefit neither the businesses nor the state.

As someone dedicated to helping Maryland businesses navigate complex tax regulations, I ask you to consider the real impact this legislation would have on small accounting practices and the businesses we serve. I respectfully urge you to issue an unfavorable report on Senate Bill 1045.

Thank you for your consideration.

Sincerely,

Ellen S Silverstein CPA

Ellen S Silverstein CPA
Secretary and Past President, MSATP

Ellen S. Silverstein
Certified Public Accountant
PO BOX 180, Clarksburg, MD 20871-0180
301-355-4980/fax 301-355-4981; Ellen@EllenSCPA.com

SB 1045 - Opposition.pdf
Uploaded by: Emily Brophy
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chairman Guzzone and Members of the Committee,

As the owners of Blue Vista Real Estate, LLC and Tan & Associates, Inc., both professional service companies, we write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

Blue Vista Real Estate provides commercial property management services to over 11 properties in Maryland, and Tan & Associates provides tax, accounting and financial services to over 300 small businesses in Maryland.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness, including ours. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

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Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my properties located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

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While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Emily Brophy and Stephen Tan
Owners
Blue Vista Real Estate, LLC
Tan & Associates, Inc

AUTUMN LAKE
HEALTHCARE
at Bridgepark

10 March 2025

To Whom It May Concern,

I am writing this letter regarding a recent legislative movement to initiate a 2.5% sales tax bill on multiple business-to-business services. As a fellow business operator I am writing to you to support NOT moving forward with this proposed bill. Thank you for your consideration.

Best,

Emily Logan, LNHA
Autumn Lake Bridgepark
4017 Liberty Heights Avenue
Gwynn Oak, MD 2127
(410) 542-5306

HB1554ICSCUNF.pdf
Uploaded by: Eric McWilliams
Position: UNF

March 12, 2025

Ways and Means Committee
Room 130, House Office Building
Annapolis, Maryland 21401

<u>House Bill 1554- Sales and Use Tax - Taxable Business Services – Alterations: OPPOSE</u>

Chair Atterbeary, Vice Chair Wilkins, and Members of the House Ways and Means Committee,

The ICSC Maryland Government Relations Committee respectfully opposes House Bill 1554: *Sales and Use Tax - Taxable Business Services - Alterations.* ICSC is the member organization representing 50,000 members nationwide and promotes marketplaces where people shop, dine, work, and gather as vital parts of thriving communities. In Maryland, our industry supports over 525,000 jobs and generates over $8 billion in state sales tax revenue.

While we recognize Maryland's budgetary challenges, implementing a business-to-business (B2B) service tax is a short-sighted approach that will have far-reaching negative consequences for the state's economy, business climate, and commercial real estate sector. Our industry plays a critical role in Maryland's economic vitality, and this tax threatens to undermine investment, job creation, and the overall competitiveness of the state.

Disproportionate Burden on Small and Mid-Sized Businesses
Our property owners, developers, and tenants, rely extensively on third-party professional services such as architecture, engineering, legal counsel, and property management. Small and mid-sized businesses, which form the backbone of Maryland's marketplaces, often lack in-house resources and are particularly vulnerable to increased operational costs. This tax would impose significant new financial burdens, leading to higher lease rates, reduced reinvestment in properties, and fewer opportunities for business expansion.

Tax Pyramiding and Increased Costs for Tenants and Consumers
A tax on business services creates a cascading "tax-on-tax" effect, inflating costs at multiple stages of development and property management. This would ultimately be passed down to commercial tenants—many of whom are small businesses—resulting in higher rents and increased costs for consumers. Retailers, restaurants, office tenants, and industrial operators would all feel the impact, making it more expensive to do business in Maryland.

Competitive Disadvantage with Neighboring States
This tax would place Maryland at a significant disadvantage compared to neighboring states. Virginia and Delaware do not impose similar service taxes, making them more attractive destinations for commercial real estate investment and business operations. For properties and businesses near state borders, this policy creates a direct incentive to shift operations and service contracts to out-of-state providers, reducing Maryland's tax base and economic competitiveness.

Administrative Complexity and Compliance Costs
Beyond the direct tax liability, HB 1554 would introduce substantial administrative burdens for commercial property owners and businesses that must track, calculate, and remit the tax. This would increase compliance costs, particularly for small firms that lack dedicated tax departments. Additional expenses for accountants, software, and legal guidance further compound the financial strain, diverting resources away from investment in Maryland's built environment.

We urge the General Assembly to carefully consider the long-term implications of HB 1554, our state's economic future depends on a tax structure that encourages growth and investment.

Sincerely,

Eric McWilliams
ICSC Maryland Government Relations Chair
If you have any questions regarding this document or ICSC please contact Sushant Sidh (Sushant.Sidh@capitol-strategies.com)

SB 1045 - MBA - UNF - GR25.pdf

Uploaded by: Evan Richards

Position: UNF

MARYLAND BANKERS ASSOCIATION

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
Committee: Senate Budget and Taxation Committee
Date: March 12, 2025
Position: Unfavorable

The Maryland Bankers Association (MBA) **OPPOSES** SB 1045. This legislation, as drafted, imposes a 2.5% sales tax on various business-to-business services, including audit services, IT and data services, consulting services, and more. MBA has concerns that this additional tax will disproportionately impact Maryland's community banks and will ultimately lead to higher costs of financial products and services for Marylanders.

Communities around Maryland depend on local banks to assist residents and businesses in thriving financially. Community banks typically have a smaller service area than well-known larger banks, meaning that their balance sheets are lighter, and they cannot realistically employ everyone needed to succeed with a solely internal staff. Because of this, they rely heavily on third-party service providers to not only provide cost-efficient products and services, but to ensure compliance with state and federal banking regulations as well. The increased costs of the services listed in SB 1045 could result in a bank not hiring new employees, not investing in newer technology to combat fraud, or being at risk of falling out of regulatory compliance. Like other businesses, customers would likely see an increase in the cost of products and services for a bank to cover costs and ensure balance sheet stability.

MBA understands the significance of closing Maryland's structural deficit and appreciates the Senate Budget and Taxation Committee's dedication to doing so. However, the proposed sales tax in SB 1045 will put accessible and affordable access to products and services offered by Maryland banks at risk.

Accordingly, MBA urges issuance of an **UNFAVORABLE** report on SB 1045.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than $194 billion in deposits in over 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

Felisha Oberly Written Testimony HB 1554 SB 1045.

Uploaded by: Felisha Oberly
Position: UNF

House Bill 1554

Chair Vanessa E. Atterbeary

House Ways and Means Committee

130 Taylor House Office Building

Annapolis, Maryland 21401

Senate Bill 1045

Chair Guy Guzzone

Senate Budget & Taxation Committee

3 West Miller Senate Office Building

Annapolis, Maryland 21401

Dear Legislators:

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the Director of Government Affairs of Autumn Lake Healthcare. Representing all 37 Centers, throughout 9 Counties here in Maryland. We provide Short Term Rehabilitation and Long-Term Care services to Maryland's Aging Population. We anticipate the need for our services will grow exponentially over the next ten years as the population continues to grow and our older Marylanders live longer lives. We participate in the Medicare and Medicaid Programs as well as Private Pay and Private Insurances for our service rendered.

A sales tax bill such as this would add an additional expense on diverse levels considering how we do business in the Skilled Nursing Centers. And at a time when our reimbursement is at risk. Such a decision would be detrimental for any provider to continue with the status quo, let alone to increase services to meet the demands and needs of the vulnerable residents that we provide care for daily. Unfortunately, the healthcare industry still faces many obstacles with staff challenges and nursing shortages. This additional tax would add undo stress to the already difficult balancing act the healthcare industry faces daily.

When listening to Governor Moore's initiatives and goals It was my understanding that the plan for Maryland was to build it into a place where more people wanted to live and bring new businesses into. I personally feel that a bill such as this will do just the opposite.

Thank you for your consideration,

Felisha L Oberly

Felisha Oberly, Director of Government Affairs, Autumn Lake Healthcare

410-920-6560

foberly@autumnhc.net

Senator Hettlrman - SB 1045 opposition - Frank Gun
Uploaded by: Frank Gunsallus
Position: UNF

Frank Gunsallus IV

Town Council President

14 S. Harrison St.

Easton, MD 21601

fgunsallus@eastonmd.gov

March 10, 2025

The Honorable Senator Hettleman

Maryland State Senate

203 James Senate Office Building

11 Bladen St.

Annapolis, MD 21401

Dear Senator Hettleman,

As Town Council President of Easton, I write to oppose Senate Bill 1045 (SB 1045), "Sales and Use Tax – Taxable Business Services – Alterations," though these views are my own and not necessarily those of the Easton Town Council. This bill's expansion of the sales tax to business services will burden small businesses, raise costs, and risk driving jobs to neighboring states like Delaware, Virginia, and Pennsylvania.

The unclear scope of "taxable services" could deter investment, while higher costs may trickle down to consumers and workers, threatening economic growth. I request that you vote "no" on SB 1045 and prioritize policies that support Maryland's businesses, not tax them further. Please contact me at fgunsallus@eastonmd.gov if you'd like to discuss this.

Sincerely,

F. Gunsallus IV

Frank Gunsallus IV

Town Council President

Easton, MD

(VIEWS EXPRESSED ARE MY OWN)

SB 1045 - Written Testimony.pdf
Uploaded by: George Nitzel III
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organization, G. H. Nitzel, Inc., I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For G. H. Nitzel, Inc. located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

George H. Nitzel, III
Owner/President
G. H. Nitzel, Inc.
11300 Pulaski Hwy
White Marsh, MD 21162

george@ghnitzel.com
443-463-3337

Senate Bill 1045 Final Testimony.pdf

Uploaded by: Giavante Hawkins

Position: UNF

MSATP
MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625
Owings Mills, MD 21117

1-800-922-9672
410-876-5998

FAX 443-881-4146
www.msatp.org

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.

MSATP
MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625
Owings Mills, MD 21117

1-800-922-9672
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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

BWIBP SB1045.oppostion.alteration.taxablebusinesss

Uploaded by: Gina Stewart

Position: UNF

March 10, 2025

The Honorable Guy J. Guzzone, Chairman
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen St.
Annapolis, MD 21401

RE: SB1045 – Sales and Use Tax - Taxable Business Services - Alterations
Position: Opposed

Dear Chairman Guzzone and Committee Members,

The BWI Business Partnership (The Partnership) respectfully opposes Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. The Partnership is a 501(c)(4) nonprofit and a small business. We provide important services to the greater BWI, Ft. Meade and Arundel Mills communities, including (but not limited to) operating shuttle bus services for local workers and landscaping services around important job centers. The Partnership employs three people full-time and one person part-time and relies on local contractors to assist with the foregoing services and our day-to-day operations.

SB 1045 would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others including our small non-profit organization comprised of governmental organizations, private businesses, and academic institutions, advocating for strong transportation policy and initiatives, driving sustainable economic and workforce development, and facilitating meaningful strategic relationships to the growth and development of the BWI and Central Maryland Region. This proposal, as currently drafted, would cost our small nonprofit tens-of-thousands of dollars in additional costs.

The Partnership respectfully suggests amending the bill on Page 4, at Line 22 by inserting the following at the end of the sentence: ", UNLESS EITHER BUSINESS IS A NONPROFIT ORGANIZATION AND EMPLOYS FEWER THAN FIVE INDIVIDUALS ON A FULL-TIME BASIS". That would include many small nonprofit organizations with designations of 501c3, 501c4 and 501c6 as defined under existing Maryland law (*see e.g.*, Maryland State Finance and Procurement Code § 2-208(a)(3) (2024)).

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses.

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For The Partnership's members located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

The BWI Business Partnership urges you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Gina Stewart

Gina Stewart

President

SB 1045 - FPMS Testimony .pdf
Uploaded by: Ginny Lawhorn
Position: UNF

Senate Bill 1045
Date: March 10th, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

Fell's Point Main Street wishes to express its strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that our member businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

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Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. This tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

Fells Point Main Street urges you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Executive Committee
Fells Point Main Street

Testimony SB1045.pdf
Uploaded by: Glen Peak
Position: UNF

SonnyPeakCPA
909 Baltimore Blvd, Ste 111
Westminster, MD 21157
(443) 507-8116
sonnypeakcpa.com

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: Opposed (Unfavorable)

Dear Chairperson Guzzone and Members of the Committee,

I am writing to express my strong opposition to Senate Bill 1045, which will place an undue burden on small businesses. While large corporations may have the resources to handle additional compliance costs, small business owners—who are already struggling to navigate complex tax and regulatory requirements—will be hit the hardest.

Unlike larger corporations with in-house legal and accounting teams, small businesses often rely on limited resources to stay compliant. This new tax would add yet another layer of complexity, forcing them to spend more time and money just to follow the rules. Many will have to hire additional help from outside professionals or divert resources away from growing their businesses—costs they simply cannot afford.

Beyond just hurting business owners, this tax will increase costs for everyone. Small businesses won't be able to absorb the added expenses, meaning they will have no choice but to pass them onto consumers.

Maryland's small businesses are the backbone of our economy. Instead of imposing new burdens, lawmakers should be looking for ways to support them. I urge you to reject this proposal before it does serious damage to small businesses and the communities they serve.

Sincerely,

Glen R Peak III CPA

Glen R. "Sonny" Peak III, CPA

President

Sonny Peak CPA, LLC

SB 1045_Sales and Use Tax - Taxable Business Servi
Uploaded by: Hannah Allen
Position: UNF

MARYLAND
Chamber of Commerce

Senate Bill 1045

Date: March 12, 2025
Committee: Senate Budget and Taxation
Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 1045 (SB 1045) would create a new 2.5% sales tax on a wide range of business-to-business services, including accounting, consulting, employee placement, landscaping, tax preparation, and repair services – just to name a few. While the fiscal note has not been released as of this writing, it is estimated this bill will have over a $1 billion economic impact on businesses that both provide and rely on these essential services.

No other state has considered or implemented a sales tax expansion exclusively targeting business-to-business services. Implementing a business-to-business service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses
Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes
Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region
This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For businesses located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for

businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services.

Cascading Tax Effect
Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

Economic analyses from other states that have considered measures to expand their sales tax have demonstrated that taxing business inputs leads to higher consumer prices, reduced economic competitiveness, and increased cost of doing business – ultimately harming the very individuals these policies seek to protect. Additionally, states with more competitive tax policies are better positioned to attract and retain workers, a crucial factor for Maryland as it seeks to strengthen its workforce and economic standing.

Rather than implementing policies that discourage investment and growth, Maryland should prioritize approaches that foster business expansion and economic development. A thriving business community naturally generates increased tax revenue through job creation and economic activity, strengthening the state's fiscal health in a long-term and sustainable way.

There is widespread opposition to this bill from many segments of the business community, including retailers, transportation, financial planning, tech, hotels, and many more. Representatives from the small business community are equally concerned about the impact that this would have on their ability to create jobs, grow and thrive in Maryland.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report on SB 1045**.

TSG_Tax Proposal_2025.pdf
Uploaded by: Heather Zindash
Position: UNF

The Soulful Gardener

March 10, 2025

Heather Zindash, CPH
IPM Consultant
The Soulful Gardener, LLC
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Gaithersburg, MD 20878
thesoulfulgardener@gmail.com
301-775-5255

MD License #32068
DC License #26075
ISA Certified Arborist, MA-6350A
Insured

Dear Senator Hettleman and Delegate Moon,

As your constituent and a Maryland resident and small business owner, I am concerned about our state's rising cost of living. **I strongly urge you to oppose HB 1554/SB 1045**, which would create a new 2.5% tax on business services.

As a small business owner in Maryland, 47% of my gross sales already goes to State and Federal taxes. I can't afford to increase this tax burden, which I will be forced to pass on to my clients, and still run a successful business in Maryland.

Additionally, while this may be called a "business tax," the economic reality is that it's Maryland consumers, like me, who will ultimately pay for it. When local businesses face higher costs for accounting, IT support, and other essential services, these increases get passed directly to customers through higher prices. For my family, this means:

- Higher grocery prices as our local supermarkets pass on their increased operating costs
- More expensive haircuts, home repairs, and vehicle maintenance
- Rising costs for healthcare as medical practices offset their higher expenses
- Fewer local shopping and dining options if businesses close or relocate
- Increased childcare costs as daycare centers pass on their higher administrative expenses
- Costlier veterinary care for our family pets

With inflation already stretching household budgets, Maryland families cannot afford what amounts to a hidden tax increase on everyday necessities. Each new tax on businesses ultimately finds its way to consumers' wallets, while potentially reducing job opportunities in our communities.

Those on fixed or limited incomes including seniors, working families, and young professionals starting their careers will feel these price increases most acutely. At a time when many Marylanders are making difficult budgeting decisions, adding to their cost of living is simply not sustainable.

The Soulful Gardener

As your constituent, **I ask you to prioritize Maryland families' financial well-being by voting NO on HB 1554/SB 1045.** Instead of applying new taxes that raise consumer costs, please focus on policies that make our state more affordable and encourage businesses to create jobs here.

Most sincerely,

Heather Zindash

Heather Zindash
The Soulful Gardener, LLC

SB 1045 - heidi Schmidt .docx.pdf
Uploaded by: Heidi Schmidt
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Chair Guzzone and Members of the Committee,

Today, I wish to share my strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on to operate, including accounting, IT support, consulting, and businesses like mine - a boutique social media marketing agency - as well as many members of the business community that I represent as the Vice President of the Pasadena Business Association.

While the state clearly faces budget challenges, implementing a B2B service tax would only exacerbate these problems over the long term by negatively impacting the state's economy and business competitiveness. It would disproportionately hurt small businesses like mine, which I manage, employing three contracted social media content creators.

My business began out of necessity after being laid off at the beginning of the pandemic in 2020. I marked my first major victory a year later when I was doing enough business to match the income I had lost. And two years ago, I celebrated earning my first six figures in gross revenue.

Unlike large corporations, small businesses like mine and those of my clients rely heavily on outsourcing professional services for accounting, technology support, and other essential functions - yes, even marketing! The photographers and graphic designers I work with are only two examples of the types of businesses that would similarly be impacted by this unprecedented and egregious proposed tax.

A B2B services tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth, and ultimately, impacting Marylanders and their families.

This proposal would directly increase my tax burden by approximately $4,000-5,000, forcing me to make difficult decisions about increasing pricing and plans for future growth. That estimate doesn’t even account for the increased costs I would face from services such as my accountant, bookkeeper, photographer, and any freelance social media managers in our state that I contract with who would all be forced to pass along the additional cost of this tax.

Beyond the 2.5% cost, this legislation would create significant administrative burdens for businesses to track, collect, and remit this new tax. This is particularly daunting for many non-retail small businesses who do not have the infrastructure in place to collect taxes as part of their business process. This means additional accounting or bookkeeping costs and time spent on compliance rather than growing the economy.

While today's proposal narrowly targets specific services at a seemingly innocuous 2.5%, it creates a troubling precedent, opening up a new category of economic activity to taxation. There is no reason to believe that it will stop here - future budget shortfalls could easily lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

On behalf of myself and members of the Pasadena Business Association, I urge you to reject SB 1045. In the current economic environment, we need policies that support the small businesses that make up the backbone of Maryland's economy and represent the greatest possibility for economic growth within our state, and keep us competitive within our region.

Sincerely,

Heidi Schmidt
Owner,
Heidi Schmidt Creative
293 Magothy Beach Road
Pasadena, MD 21122

Vice President,
Pasadena Business Owner

SB 1045 written testimony.pdf
Uploaded by: Howard Wollner
Position: UNF

Howard M. Wollner, CPA
110 N. Washington Street, Suite 201
Rockville, MD 20850
301-565-9100
FAX 301-565-9106

March 12, 2025

Senate Budget and Taxation Committee

Written remarks to SB 1045

Dear Chair Guzzone and Members of the Committee:

Please accept this testimony of my opposition to HB 1554 titled Sales and Use Tax – Taxable Business Services – Alterations (hereinafter referred to as the "Bill").

I am a sole practitioner CPA in Montgomery County Maryland. When this Bill was recently brought to my attention I was disappointed that the Maryland state legislature would consider such a tax.

My reasons for opposing this Bill are as follows:

- Adding more compliance to a CPA's duties is just making our job harder. We already need to deal with various state, local and federal compliance issues, both on behalf of our clients and our own business. I would either have to hire someone to handle the collection and remittance of these taxes or pay a service to do so.

- Adding an additional cost to my services that a CPA in a neighboring state won't have is not fair to me or any other Maryland CPA. This would be hurting the very people (CPAs) the Comptroller's office relies upon to assist Maryland taxpayers in keeping compliant and paying the correct amount of tax. You would basically be putting me out of business, or, at the very least, giving CPAs in neighboring states a competitive advantage.

- The Comptroller's office can't even keep up with current issues, like PTE credits and the Maryland Connect rollout. Adding this to their plate seems like a bad idea.

- This tax will increase the cost of my services to small businesses. In addition to the 2.5% tax being assessed, I will have to increase the cost of my service to account for the additional time and expense spent on complying. All of my business clients are small businesses owned by Maryland individuals. This cost just adds to their current expense burden. The people you are hurting are middle class taxpayers.

- This will add confusion and many more questions being asked of the Comptroller's office. One example is what is a Business Entity (not currently defined in the Bill). If a taxpayer has a Single Member LLC, treated as a Disregarded Entity, so the business activity is reported on the Form 1040, is that a Business Entity and are my services subject to sales tax?

I am happy to discuss any issues related to the Bill.

Sincerely,

Howard Wollner, CPA
Hwollner@hwollnercpa.com

Senate Bill 1045.pdf
Uploaded by: Jacob Stokes
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As the president of a Maryland based Service-Disabled Veteran Owned Small Business, I write to express my strong opposition to Senate Bill 1045 that creates a new 2.5% tax on many services my company relies on to conduct business. My business's industry of government contracting is constantly bombarded with threats to cashflow and stability. We are at a constant threat of bankruptcy due to Continuing Resolutions, funding freezes, delayed payments, and the unreasonable levy of frivolous taxes and fees in order to conduct our business for the federal government within Maryland's borders.

My company outsources bookkeeping to a Maryland-based accounting and CPA firm that costs $120,000 a year. Due to regulations in the banking industry, we must also pay $40,000 a year to have an independent review of our books. Our tax preparation and filing costs an additional $20,000 a year. These outsourced services to local Maryland firms will cost almost $5000 more a year under this new tax. As a small business our margins are already very thin and unpredictable.

As a prudent business owner, I have choices to maintain stability and sustainability. I can lay off a Maryland based employee to cover the additional tax burden. I can stop outsourcing our accounting to the local Maryland firm and can hire a remote employee from a more business friendly state to maintain our books. I can sell my business to a larger out-of-state firm like ManTech International, who would move my firm to the more business friendly state of Virginia. I have offices that can be converted to headquarters in Georgia, Texas and Florida, all of which are more business friendly than Maryland. Whichever is my choice, Maryland will realize a reduction in revenue from my business' taxes with this bill instead of the intended increase.

The Maryland state legislature conducts a constant attack on the very businesses that fund the operations of this state. As business owners we are constantly demonized by rhetoric that suggests we don't pay our fair share, that we put profits over employees or that we are greedy. Bills like Senate Bill 1045 reflect this rhetoric and solidify the disdain the Maryland Legislature has for small businesses.

Sincerely,

Jacob Stokes

President

Belay Technologies, Inc.

Testimony Opposing SB 1045 - Jaime Thompson, Nicho

Uploaded by: Jaime Thompson

Position: UNF

NICHOLYNN ADVISORS
TRUSTED BUSINESS ADVISORS

Good afternoon Chair Guzzone and Members of the Committee.

My name is **Jaime Thompson**, and I am the owner of **Nicholynn Advisors**, an accounting and advisory firm located in Queen Anne's County, virtually serving businesses across Maryland and the US.

I am writing today to express my strong opposition to SB 1045, which would impose a 2.5% sales tax on business-to-business (B2B) services, including accounting, tax preparation, payroll, and other essential professional services that businesses rely on to operate successfully.

This proposal is deeply concerning because:

- **It increases costs for small businesses.** Businesses already face rising costs for compliance, payroll, and operational expenses. Adding a tax on services like accounting and tax preparation creates a **pyramid effect**, where businesses are taxed on the very services that help them remain compliant with tax laws. Ultimately, these costs will be passed on to Maryland consumers.
- **It disproportionately harms small businesses and startups.** Many small businesses don't have in-house accountants or financial experts and rely on firms like mine to navigate tax laws, financial planning, and compliance. Taxing these services places an additional burden on the businesses that can least afford it.
- **It puts Maryland at a competitive disadvantage.** No neighboring states impose this type of tax on accounting and professional services. Businesses will be incentivized to seek these services outside Maryland, or worse, relocate their operations altogether.
- **It adds unnecessary administrative complexity.** Accounting firms already work to ensure businesses meet Maryland's complex tax and compliance requirements. This bill would add another layer of tax compliance for both service providers and clients, increasing the administrative burden on businesses across the state.

Maryland businesses should not be penalized for seeking professional expertise that helps them remain compliant, financially stable, and competitive.

For these reasons, I respectfully urge an **UNFAVORABLE** report on SB 1045. Thank you for your time and consideration.

Sincerely,

Jaime Thompson, Owner
Nicholynn Advisors, LLC

SB 1045-Sales and Use Tax - Taxable Business Servi
Uploaded by: Jake Whitaker
Position: UNF

Maryland
Hospital Association

Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Position: ***Oppose***
March 12, 2025
Senate Budget & Taxation Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in opposition of Senate Bill 1045. SB 1045 would impose additional sales and use taxes on several business services that Maryland hospitals use every day. Increasing taxes on critical business services, including accounting, information technology, and administrative support, would have significant implications for hospitals. These services are indispensable to the efficient and effective delivery of health care to Marylanders. The proposed tax would increase operating costs, divert resources away from patient care and investments in community health initiatives, and deter health care innovation and investment in Maryland.

Maryland hospitals are also grappling with ongoing financial strain, as many have faced persistent negative operating margins in recent years. Since January 2020, operating expenses have risen sharply, and more than half of Maryland hospital systems have reported negative operating margins in most quarters over the past three years. In the third quarter of 2024, Maryland hospital system operating margins averaged just 0.3%—far below the 3% margin that experts consider necessary to sustain nonprofit healthcare systems. Over the past 11 years, Maryland hospital system margins have averaged only 1.6%, significantly behind hospitals nationwide.

Coupled with the constraints of Maryland's unique rate-setting system, which limits hospital's ability to generate additional revenue or cover unplanned costs, the added expenses from this bill could further jeopardize the financial stability of our health care institutions. Given these ongoing fiscal pressures, any additional tax burden could further strain hospital resources, ultimately threatening patient care and access to essential health services. Moreover, the broader economic impact of SB 1045 cannot be overlooked.

Furthermore, the bill does not adequately clarify whether nonprofit entities, including hospitals, are exempt from these taxes. All Maryland hospitals operate as non-profit institutions, ensuring that financial resources are directed toward patient care, medical advancements, and community health initiatives. This non-profit status helps ensure that, unlike other states, all Marylanders can access all of Maryland's world class hospitals and facilities regardless of their insurance status or ability to pay. Imposing additional tax liabilities on these institutions could divert critical funds away from patient services, research, and community health programs, ultimately undermining their ability to fulfill their mission.

For these reasons, we request a unfavorable report on SB 1045.

For more information, please contact:
Jake Whitaker, Assistant Vice President, Government Affairs & Policy
Jwhitaker@mhaonline.org

SB 1045

Opposed (UNF) to SB 1045

Written testimony by James E Arthur, CPA
Faw Casson & Co., LLP
160 Greentree Dr, Ste 203
Dover, DE 19904

March 10, 2025

My name is James E Arthur, and I am a Delaware Licensed CPA and a trusted business advisor for several business located in the State of Maryland. I am a partner at Faw Casson & Co, LLP and we recently celebrated our 80th anniversary. As a matter of fact, the Firm received an Official Citation from the Maryland General Assembly and A Resolution from the Senate of Maryland in recognition of our 80 years.

I am writing to state my clear **opposition to SB 1045**. This tax will increase costs for businesses and hurt Maryland's competitiveness with other States. I see this creating an unnecessary burden on service providers -including CPAs and their clients.

Sincerely,

James E Arthur, CPA

JamesBrawner-SB1045-Testimony2.pdf
Uploaded by: James Brawner
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a family-owned and operated business in the Capital Beltway Region, as well as on Maryland's upper Eastern Shore, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

James E. Brawner
Chairman and President

Brawner Company
888 17th St, N.W., Suite 205, Washington, DC 20006
(202) 298-6868
brawnercompany.com

Duys - Sales Tax on Professional Services.pdf
Uploaded by: James Duys
Position: UNF

Wagner, Kaplan, Duys & Wood, LLP
Certified Public Accountants
1101 Wootton Parkway, Suite 950
Rockville, Maryland 20852
Tel: (301) 652-7201
E-Mail: Jduys@Wagnerkaplan.com

March 10, 2025

Dear Legislators:

I am a CPA with over 30 years of experience. Taxing professional services is going to be an administrative nightmare especially for small business. It is also going to put our firm at competitive disadvantage as out of state service providers are less likely to charge the tax.

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?

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?

Small business owners would have to track and report professional service taxes, creating yet another administrative burden.

Thank you for your consideration in this matter.

Sincerely,

James Duys

Testimony against HB 1554 and SB 1045.pdf
Uploaded by: James Randisi
Position: UNF

Testimony against HB 1554 will be heard in the House Ways & Means Committee on Wednesday, March 12 at 1:00 p.m. and SB 1045 will be heard in the Senate Budget & Taxation Committee on Wednesday, March 12 at 3:00 p.m.

- This legislation will:
    - Be an administrative burden for my business such as:
        - Paying for the tax professionals and resources to properly advise on details of complying with the law.
        - Collecting, reporting, and remitting sales taxes can be time-consuming and complicated, especially if they operate in multiple jurisdictions with varying tax rules.
        - Increasing the costs of compliance with tax regulations such as investing in accounting software and spending time and labor on tax-related tasks.
    - Be a competitive disadvantage resulting in loss of revenue for my firm and loss of income taxes paid by owners of my firm since owners are residents of Maryland. My firm competes for business with other firms not having to pass on a similar type of tax to clients. This will unnecessarily raise the cost associated with my service and result in lost revenue when I lose business to lower cost competitors. This then results in lower income tax revenue to Maryland as I pay income taxes on my revenue from my business.
        - **Let me provide an example. You all must campaign for re-election. Assume that there was a law that added an additional tax on costs incurred by your campaign that was not added to your competitors' campaign. Not fair, correct? But you are doing the same to business in Maryland who must compete with other firms out of state that do not have these costs.**

Respectfully submitted,

James P. Randisi

806 Chestnut Glen Garth

Towson MD 21204

Email: Jamesrandisi1@gmail.com

Phone: 410.336.0287

House Bill 1554
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As a local business owner, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For [my business/our members] located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

James E. Trela
President
Trela Computer Corporation, Inc.

03.06.25 Oppose SB1045.HB1554 Sales and Use Tax_Ta
Uploaded by: Jamie Williams
Position: UNF

Kent County MARYLAND
Department of Economic and Tourism Development

March 6, 2025

Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: SB1045/HB1554 – Sales and Use Tax – Taxable Business Services – Alterations

Dear Senator Guzzone:

The Kent County Economic and Tourism Development Department strongly opposes Senate Bill 1045/House Bill 1554, which proposes the expansion of Maryland's sales and use tax to essential business-to-business (B2B) services. As a small rural community, Kent County is home to many small businesses that would be severely impacted by the additional financial and administrative burdens this tax would impose.

Implementing a B2B service tax is a short-term solution that would create significant long-term challenges for Maryland's economy and its competitiveness. Kent County shares a border with Delaware, and this tax would create a strong incentive for businesses to seek service providers across state lines, potentially leading Maryland-based service businesses to relocate.

This legislation would impose substantial administrative burdens on businesses required to track, collect, and remit the new tax. For many small businesses, this translates into higher accounting costs and time diverted from business growth to compliance.

In light of these concerns, the Kent County Economic and Tourism Development Department respectfully requests an unfavorable report on Senate Bill 1045/House Bill 1554 and urges the adoption of policies that foster a thriving business environment in Maryland.

Sincerely,

Jamie J. Wms

Jamie Williams, CEcD
Director

cc: The County Commissioners of Kent County
Senator Stephen S. Hershey
Delegate Jay A. Jacobs
Delegate Steven J. Arentz
Delegate Jefferson L. Ghrist

SB 1045 Opposition - Athey.pdf
Uploaded by: Jamie Williams
Position: UNF

Charles R. Athey
200 Washington Ave
Chestertown, MD 21620

Senate Bill 1045
Date: March 7, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a resident of Kent County, Maryland, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For Kent County businesses located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

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Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Charles Athey
Chestertown, Maryland

HB1554 opposition letter_Delegate Cardin_Janet Mey

Uploaded by: janet Meyer

Position: UNF

Janet Meyer
6506 Montrose Avenue
Baltimore, Maryland 21212
janetm@bctdesigngroup.com

March 10, 2025

The Honorable Jon S. Cardin
426 Lowe House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Subject: Opposition to HB 1554/SB 1045

Dear Delegate Cardin,

I am writing to express my strong opposition to Maryland House Bill 1554/Senate Bill 1045. As a concerned constituent, I believe that this proposed legislation will have significant negative consequences for Architects, Interior Designers, Graphic Designers, Landscape Architects, and others in the design profession.

This bill raises several concerns, including financial burden, impact on the local economy, competitiveness of fees from designers from other states and countries, among just a few. If enacted, HB 1554/SB 1045 would increase the cost of essential services such as payroll, bookkeeping, consulting, IT support, marketing, and consulting—all services that architecture firms rely on to operate efficiently and stay competitive. This tax would increase the cost of these essential services, forcing firms to cut expenses elsewhere—which could mean fewer resources for hiring, software investments, and professional development.

We would also be burdened with a competitive disadvantage – unlike Virginia and Delaware, which do not impose sales tax on these services, Maryland firms would face higher operating costs, making it harder to compete for projects regionally. This would also prevent us from investing in cutting-edge technology, sustainability initiatives, and professional training, as we will have to divert funds to cover new tax expenses. The higher overhead will ultimately affect clients, leading to increased design fees or reduced budgets for important projects, including historic preservation, sustainability upgrades, and community developments.

This bill will be detrimental to our business and ultimately force us to reduce our employment as our business slowly erodes because of this tax. I urge you and your colleagues to reconsider this bill and explore solutions that better balance the interests of all stakeholders.

I respectfully request that you vote against HB 1554/SB 1045 and work toward legislation that more equitably addresses the issue at hand. Thank you for your time and consideration. I appreciate your service to our community and welcome any opportunity to discuss this matter further.

Sincerely,

Janet Meyer
6506 Montrose Avenue
janetm@bctdesigngroup.com
410-837-2727

HB1554 opposition letter_Delegate Stein_Janet Meye

Uploaded by: janet Meyer
Position: UNF

Janet Meyer
6506 Montrose Avenue
Baltimore, Maryland 21212
janetm@bctdesigngroup.com

March 10, 2025

The Honorable Dana Stein
301 Lowe House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Subject: Opposition to HB 1554/SB 1045

Dear Delegate Stein,

I am writing to express my strong opposition to Maryland House Bill 1554/Senate Bill 1045. As a concerned constituent, I believe that this proposed legislation will have significant negative consequences for Architects, Interior Designers, Graphic Designers, Landscape Architects, and others in the design profession.

This bill raises several concerns, including financial burden, impact on the local economy, competitiveness of fees from designers from other states and countries, among just a few. If enacted, HB 1554/SB 1045 would increase the cost of essential services such as payroll, bookkeeping, consulting, IT support, marketing, and consulting—all services that architecture firms rely on to operate efficiently and stay competitive. This tax would increase the cost of these essential services, forcing firms to cut expenses elsewhere—which could mean fewer resources for hiring, software investments, and professional development.

We would also be burdened with a competitive disadvantage – unlike Virginia and Delaware, which do not impose sales tax on these services, Maryland firms would face higher operating costs, making it harder to compete for projects regionally. This would also prevent us from investing in cutting-edge technology, sustainability initiatives, and professional training, as we will have to divert funds to cover new tax expenses. The higher overhead will ultimately affect clients, leading to increased design fees or reduced budgets for important projects, including historic preservation, sustainability upgrades, and community developments.

This bill will be detrimental to our business and ultimately force us to reduce our employment as our business slowly erodes because of this tax. I urge you and your colleagues to reconsider this bill and explore solutions that better balance the interests of all stakeholders.

I respectfully request that you vote against HB 1554/SB 1045 and work toward legislation that more equitably addresses the issue at hand. Thank you for your time and consideration. I appreciate your service to our community and welcome any opportunity to discuss this matter further.

Sincerely,

Janet Meyer
6506 Montrose Avenue
janetm@bctdesigngroup.com
410-837-2727

Testimony Against SB1045.pdf
Uploaded by: Jason Mills
Position: UNF

March 10, 2025

Senator Hettleman:

My name is Jason Mills. I am a Maryland CPA and trusted advisor to my clients. Our firm was founded in Montgomery County in 1990 and continues to operate in Montgomery County to this day. We provide jobs for Marylanders and a vital service to the business community. Our firm works with closely held businesses and nonprofit organizations as well as individual taxpayers. Many of these clients live and work in Maryland as well as DC and Virginia. A sales tax on our fees will be considered a price increase to our clients, and put us at a competitive disadvantage against firms in other states. Our clients are already feeling the pressure of higher wages and operating costs in this area. Our services are critical to these business owners, and their ability to stay compliant with the increasingly complex tax laws. These businesses also have financial statement audit requirements imposed by Federal and State agencies, which would only increase the cost of performing on these contracts if these required services are burdened with sales tax. It would be very difficult for firms like us to absorb these costs, and therefore, they would be passed on to our clients. **I am STRONGLY OPPOSED to HB 1554 / SB 1045, and I encourage you to please consider other ways to raise revenue that does not negatively impact the job creators in our state**.

Sincerely,

Jason Mills, CPA
Lanigan Ryan, P.C.

SB1045 Key Ingredients Catering.pdf
Uploaded by: Javier Zerpa
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a Owner of Key Ingredients Catering, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For **Key Ingredients Catering, LLC** located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Javier Zerpa
Owner/President
Key Ingredients Catering, LLC

HB 1554 oppose tax.pdf
Uploaded by: Jay Denburg
Position: UNF

DENBURG & LOW, PA
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
6000 Metro Drive
Suite 150
Baltimore, Maryland 21215
voice: 410/539-7100
fax: 410/539-7105
e-mail: info@denburg.com

WASHINGTON DC OFFICE:
1155 Connecticut Avenue, NW
Suite 300
Washington, DC 20036
202/785-5600

Direct e-mail: jdenburg@denburg.com

The Honorable Delegate Moon
Ways and Means Committee
Maryland General Assembly
Annapolis, MD 21401

RE: Strong Opposition to HB 1554/SB 1045 – Tax on Tax and Accounting Services

Dear Delegate Moon,

I am writing to express my strong opposition to HB 1554/SB 1045, which seeks to impose a tax on tax preparation and accounting services in Maryland. This proposed legislation would have detrimental effects on businesses, increase costs for individuals and enterprises, and put Maryland at a significant competitive disadvantage compared to neighboring states.

Most of our CPA firm tax preparation clients are located in DC and Virginia which is why we have a DC office. I own the firm and pay all the resulting income taxes to Maryland and have been for forty years. Most of my competition is from CPA firms based in DC and VA. From an economic viewpoint my firm will be placed at a significant financial disadvantage to compete.

As a CPA firm business owner, I am deeply concerned about the consequences this bill would have on Maryland's economy as well as my own business. Accounting and tax services are essential for businesses to comply with state and federal tax laws, ensure financial stability, and maintain accurate records. Placing an additional tax burden on these services will not only increase the cost of doing business but will also create unnecessary financial strain on small businesses and individuals who rely on these services for compliance and financial planning.

Furthermore, this tax would make Maryland less attractive for businesses considering establishing or maintaining operations in the state. Neighboring states such as DC, Virginia and Delaware do not impose such taxes, which could drive businesses and individuals to seek tax and accounting services outside Maryland, leading to a loss of revenue for in-state firms and professionals. Additionally, this policy could discourage investment and entrepreneurship, as business owners may view Maryland as an increasingly expensive and less business-friendly environment.

The proposed tax on accounting and tax services is not just a burden on professionals in the industry; it is an unnecessary cost that will be passed down to consumers, including individuals and small businesses already struggling with economic uncertainties. Instead of imposing additional financial barriers, Maryland should focus on policies that support businesses, encourage economic growth, and enhance the state's competitiveness.

I urge you to oppose HB 1554/SB 1045 and protect Maryland businesses and residents from this harmful tax. Thank you for your time and consideration. I appreciate your leadership and your commitment to fostering a prosperous economic climate in our state.

Sincerely,

DENBURG & LOW, PA
Certified Public Accountants

Jay L. Denburg, CPA

SB1045 & HB1554 Business to Business Taxes.pdf
Uploaded by: Jean Benhoff
Position: UNF

Witness: **Jean Miceli Benhoff**
Jurisdiction: **Baltimore County**
Bill: **SB1045 and HB1554**
Position: **Strongly Oppose**

For the purpose of requiring Altering the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifying the rate of the sales and use tax for certain labor and services.

Here in Maryland, we own a full service home inspection business servicing clients all over this state. We cannot afford to pay more taxes. And we cannot hire more employees, period.

It is incumbent upon the MD elected officials to save small businesses in Maryland. What MUST be important to all of you, if you want to keep all of us small business owners here in Maryland you must not pass this burdensome tax. Otherwise, all of us will be forced to layoff employees and not to hire either. We have a home also in Florida and I did not want to move our business being lifelong residents. Your taxes are forcing us out by taxing us into extinction already and now more taxes.

You will make worse the shortage of revenue when we are forced to close!

Thank you for your consideration.
Respectfully submitted,
Jean Benhoff
I vote!

SB 1045 - Sales and Use Tax - Taxable Business Ser
Uploaded by: Jeffery Kordela
Position: UNF

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
Senate Budget & Taxation Committee
March 12, 2025
Legislative Position: UNFAVORABLE

Dear Chair Hettleman and Members of the Committee,

My name is Jeffery Kordela. I am a CPA and small business owner in Forest Hill, Harford County, MD. I am **strongly opposed** to SB 1045, which would impose sales tax on a wide range of business-to-business (B2B) services, including bookkeeping and accounting services.

I own a small bookkeeping and accounting services business. My clients are small businesses that depend on our professional services to keep track of their finances and stay compliant with tax laws.

It seems that the Committee Members should consider the following reasons for my opposition**:**

- **Do you want to hurt small businesses and startups?** Adding a sales tax burden makes it harder for small businesses to compete and grow. This sales tax will disproportionately impact small businesses that rely on outsourced services such as mine because they can't afford to hire full-time employees to do these essential tasks.
- **Do you want to increase the costs of doing business in Maryland?** Taxing essential services like bookkeeping and accounting compliance creates a **pyramid effect**, where businesses pay tax on services used to run their operations, ultimately driving up prices for consumers. Otherwise, the business will lose money and, thereby, pay less income taxes.
- **Do you want to weaken Maryland's business competitiveness?** Other states that have considered taxing professional services have faced strong backlash or repealed such measures due to their negative economic impact. This bill would put Maryland at a disadvantage compared to neighboring states.

I respectfully urge an **UNFAVORABLE** report on SB 1045. Maryland businesses should not be penalized for seeking professional expertise to remain compliant and financially healthy.

Thank you for your time and consideration.

Respectfully submitted,
Jeffery C. Kordela, CPA
Owner & Managing Director
Supporting Strategies | Chesapeake Regionn MD
Jeff.kordela@gmail.com
O 443-252-8074

House Bill 1554:Senate Bill 1045 Written Testimony
Uploaded by: Jeffery Metz
Position: UNF

Egle
Nursing & Rehab Center
P.O. Box 250 • 57 Jackson Street • Lonaconing, MD 21539

Phone: 301-463-5451
Fax: 301-463-5456

March 10, 2025

House Bill 1554
Chair Vanessa E. Atterbeary
House Ways and Means Committee
130 Taylor House Office Building
Annapolis, Maryland 21401

Senate Bill 1045
Chair Guy Guzzone
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Legislators:

We are writing to OPPOSE House Bill 1554 and its companion Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the President of Egle Nursing Home Management, Inc. in Lonaconing, Maryland. Our company operates a 66-bed skilled nursing facility and a 16-bed memory care assisted living facility. We employee over 125 people and serve Maryland's most vulnerable populations. This additional tax of 2.5% will cost our company into the tens of thousands and perhaps hundreds of thousands in new taxes. This tax is especially devastating to long term care facilities in Maryland because the vast majority of our revenue is Medicaid and Medicare funding. Our rates are set by both programs and we are unable to modify what we bill/charge to mitigate the cost of such a new tax. Such a scenario would be untenable for our company and all long-term care providers in Maryland.

Thank you for the opportunity to present this written testimony. Please contact my office with any questions.

Sincerely,

Jeffery Metz, LNHA, MBA
President

Letter of Opposition SB 1045_DCM BioServices-Jeff

Uploaded by: Jeffrey Griffin
Position: UNF

DCM BioServices

43 East South Street, Unit 2A, Frederick, MD 21701

March 10, 2025

The Honorable Guy Guzzone, Chair
Senate Budget & Taxation Means Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Subject: SB1045, Sales and Use Tax - Taxable Business Services - Alterations

Dear Chair Guzzone & Committee Members,

My purpose in writing is to share my strongest possible opposition to Senate Bill 1045, Sales and Use Tax - Taxable Business Services - Alterations.

The proposed new 2.5% sales tax on Business-to-Business (B2B) services will severely harm small businesses in Maryland and the families that depend on them for good jobs. The broadening of services included in this proposed bill would result in a historic increase in the Maryland Sales and Use tax. As a father of two school-aged children the need and goals within the Maryland Blueprint for Education and other state services are important to me personally. All that said, this change to fund that mandate couldn't possibly come at a worse time for small businesses.

Our economy is still facing serious challenges and uncertainty due to lingering effects of inflation and ongoing changes at the federal level with our new presidential administrations tariffs and other policies. Our employee costs have risen dramatically due to compensation and benefits necessary to attract and retain high quality talent. Our cost-of-goods has grown significantly along with travel and most other costs rising consistently.

As a growing independent service provider for laboratory instrument services in Maryland and nationwide we compete for skilled staff in an already challenging employment environment. The unintended consequences – costs to implement, communicate to clients, and justify in a competitive environment are immense. A 2.5% sales tax passed onto our clients means not being able to adjust actual service pricing that continues to support real and meaningful staff wages and benefits.

Another major concern is that many businesses located in Frederick County are impacted by our proximity to nearby states, who's economies are not burdened by similar additional sales taxes on business services should SB1045 become law.

Please **reject** this economy-stifling and job-threatening initiative by issuing an **unfavorable** committee report on SB1045.

Sincerely,

Jeffrey Griffin, General Manager
jeff.griffin@dcmbio.com

David May, Founder
dave.may@dcmbio.com

800-240-4593
service@dcmbio.com
www.dcmbio.com

We eliminate downtime in your lab.

Testimony in Opposition to HB1554.pdf

Uploaded by: Jeffrey Rosen

Position: UNF

Testimony in Opposition to HB1554/SB1045
Submitted by: Jeffrey Rosen, Managing Partner, RS&F
House Ways & Means Committee / Senate Budget and Taxation Committee
March 12, 2025
Legislative Position: UNFAVORABLE

Chair Atterbeary, Chair Guzzone, and Members of the Committees,

My name is Jeffrey Rosen, and I am the Managing Partner of RS&F, a business advisory and CPA firm based in Towson. Our firm employs many Maryland residents, represents hundreds of clients across many industries within the state, and supports various local community organizations.

This legislation would directly impact numerous clients by making it more costly for them to purchase essential accounting and consulting services. It would impose a tax on services required by businesses to fulfill their mandated tax compliance (i.e. it's a tax on tax). Small and middle-market businesses, which already face significant resource constraints, will bear the brunt of this policy while larger businesses that can perform these services in-house will avoid the tax entirely.

Many of our clients have already expressed grave concerns about other tax increases being proposed by the State of Maryland. The addition of this tax will push them further toward considering moving their business interests out of the state and choosing to work with non-Maryland CPAs, which will ultimately hurt Maryland's economy. This is not conjecture, rather we have had many conversations with business clients who believe their interests are fundamentally misaligned with those of the state.

Unnecessary Compliance Burdens and Increased Complexity

HB1554/SB1045 will add another layer of compliance burdens on taxpayers while also straining the CPA profession, which is already facing a shortage of resources and talent. The tax structure in Maryland is already complex and overwhelming for small businesses. Introducing an additional tax on professional services will only exacerbate these challenges, leading to confusion, higher compliance costs, and increased audit risks for businesses that lack the resources to navigate the ever-changing tax landscape. This legislation also violates several guiding principles of good tax policy, including the ability for effective tax administration, simplicity, neutrality, economic growth and efficiency, and minimizing the tax gap (reference: https://bit.ly/goodtaxpolicy).

Maryland's Competitiveness at Risk

This bill, in combination with other proposed tax increases, will unquestionably hurt Maryland's competitiveness. Businesses will be more inclined to relocate to other states with better tax policies, leaving Maryland at a disadvantage. Even in cases where businesses do not relocate entirely, many may absorb the tax and simply choose not to grow or hire new employees in the state. Rather than fostering a pro-business environment, this legislation will discourage entrepreneurship, job creation, and overall economic expansion.

Request for an Unfavorable Report

For these reasons, I urge you to issue an UNFAVORABLE report on HB1554/SB1045. This bill is anti-growth, anti-business, and would create unnecessary financial burdens on the very businesses that drive Maryland's economy. Rather, I encourage lawmakers to focus on policies that encourage economic growth and job creation within our great state.

Thank you for your time and consideration.

Jeffrey S. Rosen, CPA, CGMA, MBA

03.10.25 Opposition to HB 1554_SB 1045.pdf

Uploaded by: Jennifer Jefferson

Position: UNF

March 10, 2025

Senator John F. Mautz, IV and Senator Stephen S. Hershey, Jr.

Delegate Christopher T. Adams, Delegate Thomas S. Hutchinson and

Delegate Steven J. Arentz, Delegate Jefferson L. Ghrist, Delegate Jay A. Jacobs

Dear Officials:

I oppose House Bill 1554 / Senate Bill 1045 “Sales and Use Tax -Taxable Business Services - Alterations”.

This proposed business-to-business tax will burden small businesses, who already run on slim margins. Small businesses do not have in-house accounting and finance staff; they rely on CPAs and other professional service providers to stay compliant, manage payroll and make financial decisions.

The proposed tax will increase costs for small businesses, and when they can no longer absorb added costs, they will pass on higher prices to their customers. Small businesses will be discouraged to grow under this tax because every service they need to grow – tax prep, accounting, business consulting – will cost more than in Virginia, Delaware, or Pennsylvania.

Accounting and consulting services can be sourced from anywhere in today’s technology. Businesses will seek providers in states without a services tax and Maryland will lose revenue, jobs, and businesses as a result.

This proposed tax is a direct hit on small businesses that Maryland should be supporting. The Eastern Shore that you represent is reliant on small businesses.

Respectfully,

Jennifer A. Jefferson

Jennifer A. Jefferson, CPA
Resident, District 37B
CFO at S.E.W. Friel and Friel Lumber Company, District 36

Senate Bill 1045 opposition.pdf
Uploaded by: Jennifer Nielsen
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Jennifer Nielsen

Owner

Nielsen Development Group, LLC.

HB 1554-SB 1045.pdf
Uploaded by: Jennifer Parks
Position: UNF

Comprehensive Nursing Services, Inc.
Comprehensive Home Health Services

Dear Legislators,

I am writing to express my strong opposition to House Bill 1554/Senate Bill 1045: Sales and Use Tax—Taxable Business Services—Alterations. As the office manager of Comprehensive Nursing Services. I provide essential nursing care to medical technology-dependent patients in a residential setting.

This proposed bill would significantly increase operational costs for businesses like ours, which already operate on tight budgets. As a Medicaid provider, this bill will exacerbate financial challenges, as we already face a potential rate cut this year.

The long-term effects of this bill could be devastating, as businesses may experience financial strain and ultimately be forced to relocate to other states that do not tax these critical services. This will harm our state's economy and the vulnerable patients who rely on our services for their care.
I urge you to reconsider this bill and its potential negative impact on businesses and the patients who depend on them.

Sincerely,
Jennifer Parks
Office Manager
Comprehensive Nursing Services. Inc.

Joint Commission Accredited
8817 Belair Road | Suite 203 | Baltimore, MD | 21236-2446
410.529.0078 | Fax 410.529.4511 | www.compnursing.com

MD GA Testimony Letter.pdf
Uploaded by: Jeremy Stark
Position: UNF

NORBERG, DAVIS, BOURNE & PAINTER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
12069 Tech Road
Silver Spring, MD 20904

March 10, 2025

To Our Elected Officials in the Maryland General Assembly:

I am writing to oppose the proposed legislation to expand Maryland's sales tax to additional services. As a CPA working with small businesses in Maryland and beyond, I believe this policy would negatively impact my clients, myself, and ultimately all Maryland taxpayers. Over time, it could also harm the state's fiscal health.

Taxing services is problematic for several reasons:

1. **High Compliance Costs** – Small businesses already struggle with sales tax compliance. While POS systems simplify tax collection for tangible goods, service providers face greater complexity and costs.

2. **Interstate Commerce Challenges** – Many affected services cross state lines. Unlike physical goods, Maryland-based service providers would be at a disadvantage, as businesses could avoid the tax by hiring out-of-state firms. This could reduce both service availability and in-state business growth.

3. **Economic Harm & Revenue Loss** – This policy could drive businesses out of Maryland, reduce demand for local services, and ultimately shrink revenue from other tax sources (income, property, and sales taxes), offsetting any expected gains.

Rather than expanding taxable services, I urge the General Assembly to consider less burdensome alternatives. For example, Maryland has one of the lowest sales tax rates in the country. Based on last fiscal year's revenue numbers, a modest 0.25% increase could generate over $279 million in additional revenue with minimal impact on consumers. A family buying $10,000 worth of taxable goods during a year would pay just $25 in additional sales tax.

Maryland has long sought to be a great place for business, but these proposals move us in the wrong direction. I fear they will accelerate business and population decline, harming the state's long-term economic future.

Thank you for your time and consideration.

Sincerely,

Jeremy Stark, CPA
Partner

SB 1045 - Testimony.pdf
Uploaded by: Jessica Furness
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local landscape designer, I am writing to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my landscape design services located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

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Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Jessica Furness
Owner/Landscape Designer
Maryland Landscape Design

SB 1045 Testimony.pdf
Uploaded by: Jessica Worley
Position: UNF

CECIL COUNTY
CHAMBER *of* COMMERCE

March 10, 2025

Senator Guy Guzzone
Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 1045 – Sales and Use Tax – Taxable Business Services – Alterations

Delegate Guzzone and Members of the Budget & Taxation Committee:

The Cecil County Chamber of Commerce, representing over 400 businesses and organizations in Cecil County, is writing to express our serious concerns regarding the proposed ***SB1045 – Sales and Use Tax – Taxable Business Services - Alterations***. Our Government Relations Committee, comprised of Chamber members who monitor and provide testimony on pending legislation, has reviewed this bill and request an **UNFAVORABLE** vote. This bill imposes an unnecessary and harmful burden on Maryland's small businesses, hindering economic growth and placing our state at a competitive disadvantage.

Maryland's business community relies on professional services such as accounting, IT support, consulting, and human resources to operate efficiently. Taxing these essential services would have far-reaching negative consequences, including:

- **Increased Costs for Businesses** – Many small businesses operate on thin margins, and this additional tax could force cuts to jobs, wages, or reinvestment in the local economy.
- **Competitive Disadvantage** – Maryland would be less attractive for business expansion compared to neighboring states like Virginia and Delaware, which do not tax business-to-business services.
- **Unintended Economic Consequences** – Rising business costs will inevitably be passed to consumers, increasing prices and slowing overall economic activity in Maryland.

Passage of this legislation simply will add to the cost of doing business in the State of Maryland, further negatively impacting the competitiveness of the State in attracting and keeping businesses that can easily relocate to our neighboring states. As most businesses require the use of the laundry list of services subjected to the proposed 2.5% sales and use tax, its impact may prove substantial to those already operating with a slim profit margin. For those providing the services, it will entail the cost of revisions to billing/invoicing systems and the administrative costs of filing and payment of the newly imposed tax. Although the proposed tax is only on businesses, thus "hidden" from most citizens, it will ultimately be all Marylanders who pay as it is either passed along in the cost of the final product or service that the individual purchases, or as a result of it becoming yet one more reason for a business to decide to relocate to a more favorable state for conducting its business, reducing employment in Maryland and deepening the State's fiscal hole.

The Cecil Chamber members continue to wait for actions by the Governor and General Assembly that will positively address the data that indicates ***Maryland is not friendly to business.*** The

Governor has been quoted on several occasions that "*Maryland must grow our way out of this deficit.*" Yet HB 1554 is much more likely to impede the needed growth in Maryland business activity.

We thank you for considering our position on this legislation and request an **UNFAVORABLE** ruling on **SB1045.** Please feel free to contact our Government Relations Committee through Jessica Worley at jworley@cecilchamber.com (410-392-3833) or Committee Chair Carl Roberts at cdennyroberts1@aol.com (443-206-3068).

Sincerely,

Cecil County Chamber of Commerce
Government Relations Committee

SB 1045.pdf
Uploaded by: Jessica Worley
Position: UNF

CECIL COUNTY CHAMBER of COMMERCE

March 10, 2025

Senator Guy Guzzone
Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

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203 N. Bridge St., Suite B, Elkton, Maryland 21921
410-392-3833 ◊ cecilchamber.org ◊ jworley@cecilchamber.org

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Sincerely,

Cecil County Chamber of Commerce
Government Relations Committee

SB 1045.pdf
Uploaded by: Jessica Worley
Position: UNF

CECIL COUNTY
CHAMBER of COMMERCE

March 10, 2025

Senator Guy Guzzone
Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

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- **Competitive Disadvantage** – Maryland would be less attractive for business expansion compared to neighboring states like Virginia and Delaware, which do not tax business-to-business services.
- **Unintended Economic Consequences** – Rising business costs will inevitably be passed to consumers, increasing prices and slowing overall economic activity in Maryland.

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410-392-3833 ◊ cecilchamber.org ◊ jworley@cecilchamber.org

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Sincerely,

Cecil County Chamber of Commerce
Government Relations Committee

Small businesses will bear the biggest burden.pdf
Uploaded by: Jim Wilhelm
Position: UNF

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.

Letter to MD SB 1045 legislators 3.10.25.pdf

Uploaded by: Jody Limbacher

Position: UNF

Jody A. Limbacher, CPA

1997 Annapolis Exchange Pkwy
Suite 300
Annapolis, MD 21401
410.349.4529

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business members located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Jody A Limbacher, CPA

Jody A. Limbacher

Owner
Jody A. Limbacher, CPA. LLC

Statem the Maryland forest association house bill

Uploaded by: Joe Hinson

Position: UNF

Statement of the Maryland Forest Association

On House Bill 1554 and Senate Bill 1045

Regarding a new tax on various services

To the chair and members of the committee:

The Maryland Forests Association represents the forestry supply chain in the state, including forest landowners, loggers, and primary and secondary manufacturers. Its membership also includes a number of professional foresters.

We are certainly cognizant of Maryland's budget shortfall. However, we do not believe that a tax on business services is an inappropriate way to resolve it. Perhaps more than most, our loggers and manufacturers rely heavily on service providers, particularly mechanics, welders, metal fabricators, account engineers, and various consultants.

In Maryland, consulting foresters complete forest management plans for forest land owners. These plans spell out the landowner's objectives for their forest and the steps needed to meet them, whether for wildlife, recreation, or timber production. Often all these objectives can be accommodated if that's what the landowner desires, but basically the plans pave the way for professionally guided management to assure healthy and productive forests.

Consulting foresters typically provide this service at hourly rates or have a flat fee. These bills would impose a new 2.5% tax on the cost of these plans, which we assume the forester will collect and then periodically provide a return to the state and payment of the taxes. In addition, county foresters employed by the Maryland Forest Service can provide the same services to landowners but must also charge a fee. Would foresters employed by the state need to also collect at 2.5% tax on the fees they charge and provide a regular return to the state? That is unclear, but if that is not the case and state foresters are exempt, then that would create a disparity in the cost of preparing management plans, probably requiring the state to do more and consulting foresters do less as land owners opt for the less expensive alternative.

Consulting foresters also may charge a commission on the sale of timber from their clients if they market the timber and manage the logging process. This, too, requires the preparation of a plan but the cost of the plan and the commission for logging are generally not itemized. So, in this case it is unclear whether the tax would be charged on the commission portion of the consultant's bill or just on the cost of the management plan, which would require additional accounting steps.

We're sure that other industries and other service providers would have similar questions for their own unique circumstances. We suggest that these questions be thought through and answered well before serious consideration of a tax on various services. We therefore do not support the legislation and urge an unfavorable report from the committee.

MD TESTIMONY.pdf
Uploaded by: JOEL GOLDBERG
Position: UNF

I strongly oppose HB 1554 and SB 1045. As a Maryland CPA since 1981, I feel this bill will hurt businesses, increase costs and put Maryland at a competitive disadvantage.

Other states that do not impose such taxes such as Virginia will get more business from Maryland. Clients will incur higher unnecessary costs. Implementation by CPAs and enforcement by the state will be so complicated and burdensome. I have clients all over the country and it will be a nightmare to keep trace of all the paperwork.

Please do NOT sign this bill.

Testimony - hb1554 SB 1045.pdf
Uploaded by: John Kenneally
Position: UNF

KENNEALLY
&COMPANY
Certified Public Accountants

Hello,

I am a Maryland CPA who has a midsized Public Certified Accounting Form in Towson Maryland.
We are opposed to HB 1554/ SB 1045. Each day I receive calls from closely held Maryland business owners who say that they are planning to relocated their business to another state if Maryland increases their taxes anymore.
There is a shortage of Accountants and an acute shortage of CPAs in public practice. As accounting professionals working with Maryland small businesses, we are already overworked and short-staffed. HB 1554/ SB 1045 would an administrative burden and increase costs, further straining our resources. This cost-of-service tax would raise fees for small businesses that are already heavily taxed. Our role as accountants is to help individuals, not act as fee collectors. We ask lawmakers to vote against this bill to protect Maryland's small businesses.

Sincerely,

John L. Kenneally

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MD Sales Tax on Prof Svcs.pdf
Uploaded by: John Pace
Position: UNF

To Whom It May Concern,

I am writing as a CPA and your constituent to express my strong opposition to HB 1554 and SB 1045. These bills would impose a tax on professional services, which would directly harm Maryland's small businesses and economy. I am part of a CPA firm and this bill would put MD CPA firms at risk since similar firms in other states would not have sales tax applied. **This would directly threaten our ability to stay competitive. Maryland needs to continue to work to be more business friendly.**

Disguised as a tax on services, this proposal is effectively a tax on small businesses that rely on essential professional services like those provided by CPAs. If enacted, it would:

● **Increase costs for small businesses** already struggling with inflation and economic uncertainty.

● **Drive business out of Maryland** as companies seek services in states without this tax.

● **Create a logistical nightmare:** Where does the tax apply when a CPA serves a multi-state business? How do remote work and cross-border services factor in? How much time and money will businesses waste on tracking and compliance?

I urge you to oppose HB 1554 and SB 1045 to protect Maryland's businesses, jobs, and economy.

Thank you for your time and consideration.

SB 1045 - Community Auto Body.pdf
Uploaded by: Jon Skinner
Position: UNF

Senate Bill 1045 Date: March 10, 2025 Committee: Senate Budget and Taxation Committee Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I would like to address the Chair, Vice Chair and members of the Committee,

My name is Jon Skinner, I am owner of Community Auto Body in Dundalk Maryland. I am writing to oppose a tax increase as written in HB 1554 and SB 1045 (Sales & Use Tax).

We are an automotive collision Repair Facility and the majority of our repair work is done through insurance claims with all of it's labor cost pricing pre-set on industry standards. Therefore, we are not able to regain any increase unless it is passed onto our customers. We are located in a middle to lower income area and our customers are already struggling to meet their deductibles. I do not see any way to regain the losses caused by this tax increase but to absorb them through any profit margins or staff reductions.

We have already experienced reduced sales in the past year falling short in our growth from 2023 to 2024 by 3 - 5%. If we are able to make up for the deficit in sales this year, these proposed bills would cost our small business upwards of $75,000 in additional tax payments. We are a small independent shop and already in competition with a growing trend of large Multiple Shop Auto Groups in the area. We have been in business for 37 years and have seen the industry change and become more competitive with new challenges yearly. The challenges we struggle with are qualified technician shortages, increased total losses of vehicles, a hard economy and increase of auto insurance premiums making it harder for customers to pay their deductibles and afford repairs, parts pricing increase and fuel delivery charges. The increase of this tax proposal adds to the hardship of doing business in Maryland.

If somewhere in this bill you could see the great harm it is for small businesses and an even greater deterrent for businesses to come to Maryland, you would stand with the small businesses here today and stop this bill from moving forward.

To conclude, we stand unfavorable to these bills and are asking for reconsiderations to these proposals.

Thank you for your time

Jon Skinner – owner/ operator

Community Auto Body LLC

98 Willow Spring Rd

Balto, MD 21222

443-250-3912

Opposing SB1045.pdf
Uploaded by: Jonathan Rivlin
Position: UNF

THE RIVLIN GROUP
CERTIFIED PUBLIC ACCOUNTANTS AND WEALTH MANAGEMENT

The Rivlin Group, PC
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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 Guzzone and Committee Members:

I am writing to express my strong opposition to Senate Bill 1045 as a CPA and member of the Maryland Society of Accounting and Tax Professionals (MSATP). My practice is based in Owings Mills, where I have been serving Maryland taxpayers and businesses for **27** years.

This legislation, which would impose a 2.5% sales tax on accounting, tax preparation, and bookkeeping services provided to business entities, would have severe negative consequences for both my practice and the **100+** Maryland small businesses my practice serves.

The impact on my practice would be immediate and substantial. As a member in a small firm with 6 employees, I operate with limited resources and tight margins. Implementing this tax would require significant investments in technology, staff training, and client education – a substantial burden for a small professional practice like mine.

More concerning is how this tax would affect my clients. For example, a family-owned service business in Montgomery County that employs 3 people spends $6,500 annually on accounting and tax services. This bill would impose an additional $162.50 tax on these essential services. While this may not seem like much, considering that all of my clients are impacted by the ongoing shocks to the economy by your federal counterparts, and we are facing a worsening economic outlook, this tax will add insult to injury. For small businesses already operating on thin margins, these increased costs could lead to difficult decisions about reducing their use of professional services, at a time when the tax laws are getting more complex.

I would like to note that the phrase, 'small business' can be a bit of a loaded term. My definition of 'small business' is that the owner is entirely at risk of any economic loss, that they work shoulder to shoulder with their employees, and in the event of a cash crunch such persons would reduce their own payroll before laying off their staff. It is in my more than quarter century of professional experience that such small businesses, as I define them, and such individuals with self employment income, often form the core of their respective communities. It is these types of taxpayers that are often neglected from the discussion of tax law, and are most harmed by these bills.

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Going further, as I expect you will be receiving testimony from other service providers attempting to avoid having this expansion of tax put on them, I tender this argument for your consideration:

A business operating in our great State of Maryland has a legal obligation to report, calculate, and remit their taxes to the Comptroller's Office. No matter how many efforts to simplify the tax code are passed (at all levels of government), the code gets more and more burdensome. Because of this, taxpayers, both individuals and small businesses, reach out to professionals to help them comply with the law.

It has been my experience that the average citizen and business owner wants to comply with the law and will take steps to ensure that they are in compliance.

The act of expanding the sale tax rules to include tax preparation and related accounting services is tantamount to a penalty on taxpayers who are attempting to comply with the law. This is unethical.

Put simply, a person or business should **not** have to pay a tax in order to figure out what and how to pay their tax.

I certainly appreciate the State's need to fund its services, and as the nature of the economy evolves over time, legislators do need to consider updating the tax law accordingly. However, an eye towards fairness should always be the guiding star on matters of how the tax burden is administered.

To rebut the argument that a taxpayer can elect not to pay a professional for tax services and thereby the proposed sales tax on such services is discretionary, I offer these three counters:

1) It is wrong for the State (or any level of government) to prejudice a taxpayer who seeks professional counsel, especially on a legal obligation.

2) In today's modern economy, taxpayers (businesses and individuals) cannot always control whether or not they will have a complicated tax situation. In other words, there's not as much discretion as might appear on the surface. Sometimes, a tax situation can be complex and still involve low income individuals and small businesses.

3) For small businesses, the various services of bookkeeping, accounting, payroll administration, and the like, are inseparable from tax preparation. Small businesses, as defined earlier in this testimony, operate not on Generally Accepted Accounting Principles (GAAP), but on the Tax Basis of Accounting because it is too costly to calculate their financial results under these two starkly different methods.

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It is wrong to force taxpayers to pay sales tax on top of their income tax, and in the case of businesses that seek out professional services to calculate their sales tax – it is wrong to force them to pay sales tax on top of their sales tax.

Rather than pursuing this inherently unfair tax policy, I urge the committee to explore other options to generate revenue. I respectfully request an unfavorable report on Senate Bill 1045.

Thank you for considering my testimony.

Sincerely,

Jonathan Rivlin, CPA

Jonathan Rivlin, CPA
The Rivlin Group, PC
MSATP Member

SB 1045 - Testimony by Real Projectives.pdf
Uploaded by: Jonathan Williams
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: OPPOSED

Dear Chair Guzzone and Members of the Committee:

As Founder and Owner of Real Projectives®, a 20-person consulting business, based in Laurel, Prince George's County and serving clients throughout the U.S, I write to express serious concern and strong opposition to Senate Bill 1045. This bill would unfairly expand Maryland's sales and use tax to include a new 2.5% tax on select and essential business-to-business (B2B) services.

While we understand Maryland faces tough budget challenges, implementing a B2B service tax would likely result in significant short- and long-term problems for business operations, competitiveness, and Maryland's broader economy.

I'd like to explain three specific reasons why this legislation would harm my and other Maryland-based businesses:

Higher Taxes Means Less Spending and Hiring

Businesses of all sizes rely smartly and heavily on outsourced specialty and professional services for payroll, bookkeeping, accounting (and tax prep), technology support, marketing, office administration, and other essential functions. This tax would abruptly add unbudgeted annual costs for businesses like ours that are already struggling with labor shortages and multiple economic pressures. We would not likely be able to absorb thousands of dollars of additional costs without cutting other expenses, pulling back on our hiring plans, and reducing key investments in planned growth. And less payroll for employees and business owners will mean less money spent in the local economy.

Administrative Burden and Compliance Costs

Beyond the direct cost of the taxes, this legislation would create significant administrative burdens for businesses to invoice, track, collect, and remit this new tax. For many small businesses like ours, this would mean additional accounting costs (taxed again), added costs for upgrading or replacing software, and likely dozens of unproductive hours spent to address compliance rather than on serving our clients and growing our business.

Competitive Disadvantage in the Region and U.S.

Additionally, the new tax would make Maryland an outlier among many states. Real Projectives provides consulting services to clients and projects nationwide. We would be forced to charge this "new" tax to several of our clients, thereby effectively increasing our prices in the middle of a year by 2.5% on top of the already tough task of adjusting prices 2-4% annually to keep up with ongoing labor shortages! Compounded, this new tax would make us oddly uncompetitive and could lead our clients to choose a non-Maryland competitor.

Reject SB 1045

While we encourage Maryland's fiscal stability and appreciate that tough budget choices need to be made, adding taxes on small business will not be an effective way to improve our economic and fiscal situations.

On the contrary, passing better legislation that supports a thriving business community would naturally generate increased tax revenues through job creation and broader economic activity throughout our great state of Maryland.

As a proud resident and small business owner, I urge you and members of the General Assembly to carefully and comprehensively evaluate the significant implications of this legislation. Please REJECT SB 1045.

Sincerely,

Jonathan Williams

Founder & Owner
Real Projectives, LLC

SB 1045-OPPOSED- Fells Group.pdf

Uploaded by: Jonathon Rowland
Position: UNF

Senate Bill 1045
Date: March 10th, 2025
Committee: Senate Budget and Taxation Committee

Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a small business owner in Baltimore and community leader, I am deeply concerned with the introduction of the B2B Business Tax proposal (HB 1554/SB 1045). My concerns are as follows:

Small Business Impact- Essential Operations
Businesses like mine and countless other small businesses throughout your district use accounting, payroll services, marketing services, and HR (among many of the other impacted services). I'm proud to support other Maryland small businesses with my accounting & HR, cleaning, consulting and payroll services. Running the numbers today would cost my business nearly $10,000 each year. That's less money to invest in other parts of our business, hire more employees, or do our annual cost of living adjustments for our current employees. Additionally, that would surely make me consider hiring companies out of Virginia or Delaware instead, creating a ripple effect for other businesses.

Small Business Impact- Competitiveness
For our own business, and like many other businesses in Maryland, we work not only in Maryland but also in Delaware and Virginia—both of which do not have sales tax on services. We constantly compete with out-of-state firms for work that is covered by the B2B sales tax, **with price often being a deciding factor to win a contract.** Last year our revenues from Delaware and Virginia represented 1/3 of our total revenues that would be covered under this B2B. With recompetes every year, we would surely lose many of the projects to Virginia and Delaware firms.

Community Impact- Nonprofits & Community Groups
This remains a big question mark for me. Our community association (FPRA that i have served on the board for over 8 years) uses an accountant, the Fells Point Fun Festival (one of the last largest free community festivals left in the city), of which I have been a part for many years, has an accountant, pays for marketing, uses a staffing agency to provide security, and tend bars. Are we now expecting these amazing community organizations and community groups to pay an extra 2.5% when state funding is already drying up? Is there an exemption?

Community Impact- Small Business Districts

Living in District 46, I have seen first hand how many of our restaurants and other local businesses are struggling with inflation, high rents, and recently insane BGE bills. We shouldn't be adding more pressure to our already struggling small business districts whose businesses rely on business essential services such as accounting, cleaning,

I understand that we have severe budget constraints and need a "menu of options," as the bill sponsor has said. But this menu option is something that Maryland small businesses and, I believe, most constituents cannot or will not stomach.

Best Regards,

Jonathon Rowland

Managing Partner

Fells Group

1632 Aliceanna St Baltimore MD 21231

Testimony of Jordan Coon SB 1045.pdf

Uploaded by: Jordan Coon

Position: UNF

Testimony of Jordan Coon

Opposition to SB1045 – Sales and Use Tax on Business Services
House Ways & Means Committee
March 12, 2025

Legislative Position: UNFAVORABLE

Chair Guzzone and Members of the Committee,

My name is Jordan Coon, I am a Public Accountant with over 20 years of experience in the accounting profession. Grandizio, Wilkins, Little & Matthews, LLP ("GWLM") is a Public Accounting firm employing over 45 individuals with offices in Hunt Valley and Millersville, MD and has been in existence since 1986. We work with thousands of small businesses across each of Maryland's counties, providing essential accounting and financial services that help them navigate complex tax and regulatory environments. We strongly oppose HB1554, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, financial planning, and consulting services. This bill will have significant negative consequences for Maryland businesses, professionals, and the broader state economy.

A Competitive Disadvantage for Maryland Businesses

The vast majority of Maryland's population and businesses are within an hour or less of states that do not impose such a tax. By implementing this tax, Maryland will place its businesses at a distinct competitive disadvantage. Companies will seek professional services in neighboring states, where they can avoid the additional tax burden. Given that many accounting services are now provided virtually, businesses will have little incentive to retain Maryland-based service providers when they can access the same expertise from tax-free jurisdictions just across the border.

Economic Impact and Additional Financial Burden

Taxes on businesses ultimately get passed down to the individual. Over the past five years, Maryland businesses and residents have faced extreme cost increases across numerous sectors. Additionally, recent federal budget cuts have significantly impacted Maryland due to our proximity to Washington, D.C., and the high number of federal contractors and employees in the state. Imposing a tax on essential business services would only exacerbate these financial pressures and create further economic instability.

Maryland's Track Record of Tax Policy Challenges

Past tax policy changes in Maryland have demonstrated the risks of poorly implemented tax structures. The pass-through entity (PTE) tax, for example, was mishandled and created undue burdens in both its initial implementation year and subsequent years. The latter was due, in large part, to a high volume of inaccurate tax notices issued by the state, resulting in confusion and administrative costs for businesses and tax professionals. HB1554 risks repeating these same mistakes, further eroding confidence in Maryland's tax policy administration.

Higher Costs, Reduced Business Revenue, and Economic Decline

For GWLM and many of our clients, this tax will increase operational costs. Some businesses may attempt to absorb the additional expense, impacting their bottom line, while others may have no choice but to pass it on to customers. Either way, Maryland businesses will suffer competitive disadvantages compared to those in states without this tax.

As businesses shift their service needs to providers outside of Maryland, we will see a decline in tax revenue over time, undermining any short-term gains the state hopes to achieve with this measure. The long-term impact will be a weakening of Maryland's economy, as businesses relocate or restructure to minimize their tax burden.

Conclusion: A Harmful and Short-Sighted Tax Policy

HB1554 is fundamentally flawed and will cause long-term harm to Maryland's economic growth and competitiveness. Instead of imposing additional financial burdens on businesses, lawmakers should focus on policies that promote economic expansion and job creation. For these reasons, I strongly urge the committee to issue an **UNFAVORABLE** report on HB1554.

Thank you for your time and consideration.

Jordan Coon

20250310 Written Testimony OPPOSE SB 1045 J Martin
Uploaded by: Joselin Martin
Position: UNF

10 March 2025

Senate Budget and Taxation Committee
Annapolis, Maryland

RE: OPPOSE SB 1045 - Sales and Use Tax - Taxable Business Services – Alterations

Committee Members:

I am submitting my testimony **opposing SB 1045**.

As a CPA who has worked as both a CFO and a consultant to Maryland construction contractors, as well as a past chair of the American Subcontractors Association, I am intimately aware of the impact of additional taxes on the bottom line of these businesses. Their profits are already being squeezed by higher costs from labor shortages, increased tariffs and higher interest rates. ANY additional taxes only squeeze contractor's ability to continue to work and thrive in Maryland.

I have other questions about this proposed tax. How do we implement this when many of these services can be provided by out-of-state providers? How do we promote Maryland as a business-friendly state when we keep adding business taxes? And if you must implement sales tax on services, how do you justify not including legal services from this tax? Finally, have you considered that other states have attempted to implement these taxes and have had to repeal them?

I understand the challenges that we face in Maryland this session. However, I hope you will consider the long term effects of a tax that puts the burden on businesses that can least afford that burden. I hope you will not vote NO to SB 1045.

Respectfully submitted,

Joselin R. Martin

Joselin R Martin, CPA

(443) 416-1156

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SB 1045 - Testimony pdf.pdf
Uploaded by: joshua Cornett
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business owner of Cornett Heating & Cooling, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Joshua Cornett
Owner
Cornett Heating & Cooling

SB 1045 - BISI letter opposing this bill.pdf

Uploaded by: Judy Roberson

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

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concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

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While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Judy L Roberson,
President
Business Insurance Solutions Inc.

Written Testimony-Techslice- OPPOSED SB 1045 .pdf
Uploaded by: Juliana Buonanno
Position: UNF

Senate Bill 1045
Date: March 10th, 2025
Committee: Senate Budget and Taxation Committee

Position: OPPOSED

Dear Chair Guzzone and Members of the Committee,

As the owner of a proud Maryland business, I'm writing to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses like mine rely on daily to operate, including accounting, IT support, consulting, and many others.

This proposal would also impact virtually all aspects of my core businesses, forcing us to levy taxes on our clients in an already hyper competitive market where every dollar counts in winning a contract.

In addition, this proposal would be disastrous for startups, innovation and essential R&D that has puts Maryland on the map for decades.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses like mine:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

The positive impact on our communities small business have is significant. Pushing out small businesses with this bandaid tax with have a negative impact on our communties when they inevitably leave, creating a rippling vacuum of loss and impact that hasn't been addressed or recognized in this legislation.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For business located near state borders or doing business in other states and localities, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Juliana Buonanno
CEO & Founder

TechSlice

SB1045 Opposition.pdf
Uploaded by: Karen Brown
Position: UNF

My name is Karen Brown. I have had a small bookkeeping business since 2000 offering bookkeeping and Quickbooks services to local businesses who do not need a full time bookkeeper. I was born and raised in Easton, MD and raised my family here. I plan to continue living here and would like to retire here. I am NOT in favor of SB 1045 to tax my services to my clients.

For several reasons I do not agree with this bill. First and foremost the additional cost to my clients. Small business are struggling with costs as it is. I try not to raise my fees annually but with the cost of living many small businesses like myself have been forced to raise their fees onto their clients to afford to stay in business. Adding an additional tax only adds to the burden. The tax will impact me on the other side as well as many of the other services that are in the bill I will be paying sales tax as well for consultants, IT, etc. This takes away from my profit which causes me to have to raise fees again.

Another reason is the extra administrative time it will take for accounting for the sales tax. That takes more time for me to handle taxes and away from doing work for my clients.

The bookeeping and accounting market has become much more competitive with many companies offering “online” bookkeepers. Many clients could be forced to hire remote bookkeepers that they do not have to pay sales tax.

Please consider not letting this go through – let’s keep the small businesses in Maryland and support them. We are the backbone of Maryland and local economies.

SB1045 UNFAVORABLE - KSyrylo CPA.pdf
Uploaded by: Karen Syrylo
Position: UNF

To the Senate Budget and Taxation Committee – March 12, 2025

SB 1045 – Sales and Use Tax – Taxable Business Services – Alterations
UNFAVORABLE

My name is Karen Syrylo. I am a Certified Public Accountant (CPA) with over 45 years of experience in Maryland. For most of that time I have specialized in consulting on multistate tax issues for clients, both business entities and individuals, first as a partner in a large CPA firm and now as a sole practitioner. I currently teach a course on Maryland's and multistate taxes at the University of Baltimore Law School.

I respectfully request that you oppose the passage of SB 1045 which would impose Maryland's sales tax on a range of professional services, including tax preparation and consulting, provided by a business entity to a business entity customer. I understand the budget situation that you are currently wrestling with. This Bill is a terrible idea for Maryland for many reasons.

I am hearing from clients and CPA colleagues about their plans to leave Maryland. These taxes will kill our state's already stagnant economy via removal of that business activity.

Your voters will pay this tax.
Does anyone really believe that even though the bill is targeted at business-to-business transactions, individuals won't be impacted? That the business entity customers who would pay this tax to their service providers won't add the cost of the tax to the prices they charge their customers for the goods and services they sell? Your constituents will end up bearing the burden of this expense. It is no secret that Maryland is already an expensive place to live, and this tax will make it worse by adding to the costs of everyday purchases by Marylanders.

Small businesses will be hurt the most.
Small businesses don't have the financial ability to have full-time staff to perform the types of services listed in the Bill; they must rely on third-party providers like me and so they will pay this tax cost. But large businesses have in-house employees who do the business accounting, tax return preparation, etc., and so will not pay this sales tax. Maryland is a small-business state, they form the backbone of our economy. Targeting a tax on small business entities flies in the face of Governor Moore's stated goal of fixing our budget issues by growing our economy, making Maryland more business friendly to add private sector jobs – that is what results in more income tax and sales tax revenue for the State.

Sales tax on these services creates an administrative nightmare for the providers, the customers, and the Comptroller's Office.
In my state tax consulting work I advise clients on sales tax matters for all 46 states that impose the tax, including for those states that tax some services. A tax on professional-type services is among the most complicated to administer, for all parties, which is why most states don't do it. What is the service that is taxable? The NAICS codes in HB1554 are very general. Where is the transaction taxable? Today these services are often provided by multistate firms to multistate

customers; plus, they are often delivered electronically rather than in person. **Consider this example:**

I am in my office in Baltimore and receive a phone call from my client in his North Carolina headquarters; I conference in my partner in Tysons Corner, Virginia to help with the client's questions; the client conferences in his plant manager in Ohio who asks us questions about the accounting data needed to calculate the business income tax for their stores that are located in Indiana and Illinois.

WHERE is the sales-taxed transaction?

Is it Maryland, because I took the phone call and participated in providing the tax consulting advice? What about the part of the service provided by my Virginia partner?

Is it North Carolina where my client who started the question is located?

Is it Ohio where the manager asking the question is located?

Is it Indiana and Illinois because that's where the client's stores who will benefit from my advice are located?

There are many real-life examples like this that make the legal and administrative questions a nightmare for all involved. Determinations, some times best guesses, must be made by the service provider, and complex processes set up to identify and deal with the questions. The multistate clients often challenge those determinations and fight over the tax. The tax auditors have different determinations, resulting in audit procedures and even litigation that create expense for both the business and the state tax authority.

This is why most states don't tax professional services, and why a few that at one time did try to tax them, later repealed those taxes (remember Maryland's short lived computer services tax?!)

Maryland is again playing with fire over its reputation for business attraction

SB 1045 is a first-of-its-kind, and in a bad way. No other state, even those that tax some services, targets business-to-business services. The Bill sends an anti- business message. I am already hearing from business clients who plan to move from Maryland because of the idea of this sales tax expense. The same is true for some of my CPA colleagues who cannot bear the idea of dealing with the administrative costs and complexities of this tax. Maryland is already known as expensive and not business-friendly, and for many people this sales tax will be the last straw, the final reason for them to implement their decision to leave. That's what some are telling me right now.

* * * * * *

Please, please, please, I respectfully request that you vote "no" on SB 1045. Instead of a tax that creates more financial and administrative burdens on CPAs and our clients, let's all work together on improving Maryland's economy by attracting more businesses, more jobs that will result in more tax revenues for the state.

Karen T. Syrylo

Karen T. Syrylo, CPA
410-218-2898
ksyrylo@verizon.net

SB 1045-OPPOSED- Peak Performance Accounting (1).
Uploaded by: Kate Shamis
Position: UNF

PEAK
Performance Accounting

Senate Bill 1045
Date: March 10th, 2025
Committee: Senate Budget and Taxation Committee

Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local Maryland Business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses like mine rely on daily to operate, including accounting, IT support, consulting, and many others.

In addition, as an accounting firm. This B2B tax proposal will hit us from both sides making an already difficult situation worse.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses.

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Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

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Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045 and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kate Shammis

CEO

Peak Performance Accounting

SB 1045 - Unfavorable.pdf
Uploaded by: Katherine Burke
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

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concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

The most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

Personal Impact

As the proprietor of Annapolis Collection Gallery, this 2.5% tax will cost my business more than $50,000 annually. The burden of this tax will force me to raise prices for my customers, consider relocating my business, and question its long-term viability. Essential services such as accounting, IT support, marketing, PR, payroll processing, photography, design, and financial planning are integral to my business operations. This additional tax will only make it harder for me and other small businesses to survive in an already challenging economic climate.

Therefore, I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Katherine Burke
Proprietor
Annapolis Collection Gallery
55 West St,
Annapolis, MD 21401

SB1045 Unfavorable Testimony.pdf
Uploaded by: Kathleen Haines
Position: UNF

Kathleen Haines
CMB Consulting, LLC
17 Charles Carroll Court
Port Deposit, MD 21904
kathleen.haines@cmbconsultingllc.com
March 10, 2025

Ways and Means Committee
Senate
RE: SB 1045 – Sales and Use Tax – Taxable Business Services – Alterations

Dear Senator Ferguson,

I am writing to express my strong opposition to HB 1045, which I believe will have devastating consequences for small businesses like mine. As the owner of CMB Consulting, LLC, a proud woman-owned and minority business enterprise (DBE/MBE/SBE) operating in Information Technology and Consulting fields, I am deeply concerned that this legislation will create unnecessary financial burdens, stifle growth, and threaten the very survival of businesses like mine.

HB 1045 seeks to expand the scope of Maryland's sales and use tax to a wide range of business-to-business services, including accounting, payroll, consulting, IT, marketing, and other professional services. While I understand the intent behind the legislation, its unintended consequences will disproportionately harm small businesses, particularly those owned by women and minorities who already face significant challenges in accessing capital, resources, and fair opportunities in the marketplace.

As stated on the Maryland Chamber of Commerce, Maryland Freedom Caucus, Maryland Matters, and MACPA websites, this bill is a legislative threat where small business will bear the biggest burden. If enacted, this bill will significantly increase the cost of doing business for service-based companies like mine. Unlike large corporations that have the financial and legal resources to absorb these changes, small businesses like mine operate on limited margins. This additional tax burden will force me to either raise prices for my clients—making my business less competitive—or absorb the costs, which could lead to staff reductions, service cutbacks, or, worst of all, closure.

Furthermore, this bill does not take into account the unique struggles that women and minority entrepreneurs face. Minority and women-owned businesses are already in jeopardy due to recent attacks on programs which have sought to dismantle critical support systems for underrepresented business owners. As an MBE, I have worked tirelessly to overcome systemic barriers, and this legislation would only add another hurdle, making it even harder for female and minority entrepreneurs to compete and thrive in an already difficult economic landscape.

This legislation ultimately penalizes small businesses for utilizing essential services that contribute to their growth and efficiency. At a time when small businesses are still recovering from the economic disruptions of recent years, imposing additional tax burdens is counterproductive and will hinder job creation and economic recovery in Maryland.

I urge this committee to reconsider the far-reaching implications of SB 1045 and to explore alternative solutions that support, rather than hinder, small businesses. If the goal is to increase revenue, I encourage policymakers to work collaboratively with small business owners to find a balanced approach that does not unfairly target the very businesses that drive our local economies and provide essential jobs.

Thank you for your time and consideration. I respectfully request an unfavorable vote on SB 1045 and welcome any opportunity to discuss my concerns further.

Sincerely,
Kathleen Haines
CMB Consulting, LLC

Maryland Chamber of Commerce:

https://www.mdchamber.org/fair-opportunity-maryland/

https://www.mdchamber.org/2025/03/05/2025-small-business-services-tax-impacts/#:~:text=Maryland%20lawmakers%20are%20considering%20legislation,that%20businesses%20rely%20on%20daily.

MACPA:

https://macpa.org/news/20852669-a-tax-on-small-businesses-disguised-as-a-tax-on-services-2025-03-04

Maryland Matters:

https://marylandmatters.org/2025/03/05/services-tax-added-to-menu-of-options-as-state-grapples-with-budget-deficit-looming-federal-cuts/

MD Freedom Caucus:

https://ujoin.co/campaigns/3539/actions/public?action_id=4998

Opposition SB1045.pdf

Uploaded by: Kathryn Maney

Position: UNF

CALVERT COUNTY
CHAMBER
OF COMMERCE
EDUCATE. ADVOCATE. CONNECT.

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

Dear Chair Guzzone,

The Calvert County Chamber of Commerce is an organization that represents almost 400 businesses, in the Southern Maryland region, which collectively supports nearly 14,000 employees working together to develop a productive climate in which to conduct business. The Chamber represents small and large businesses, however more than 70% of our membership is comprised of small businesses. For our members, this proposed taxable business services tax would be a direct hit to their bottom line and for some it could be detrimental to their very existence. The domino effect of job losses, a surge in consumer pricing and reduced opportunities for wage growth could be experienced by all Marylanders.

On behalf of our members, we submit the following comments highlighting our **OPPOSITION to SB 1045**:

- The proposed 2.5% services tax is not just a business tax – it is a tax on growth. This new tax is a dollar not spent on hiring, innovation, or growth.
- Small businesses are already operating on thin margins. Adding a new 2.5% tax to essential services (i.e. accounting, marketing, and IT support) could be the difference between profit and loss.
- Our neighbors Virginia and Delaware do not tax business services. Why would Maryland make itself less competitive?
- More burden to the cost of doing business in Maryland encourages businesses to drive across state lines.

We are asking leadership to create and promote public policies, and competitiveness that will sustain economic growth for Maryland businesses, employees, and families. Therefore, as an advocate for our members and the business community, we are submitting this letter in **OPPOSITION** to **SB 1045**.

We appreciate your time and consideration.

Sincerely,

Kathryn Maney

Kathryn Maney
President/CEO

cc: The Honorable Vanessa E. Atterbeary
Calvert County Delegation
Board of Directors, Calvert County Chamber of Commerce

The Calvert County Chamber of Commerce

P.O. Box 9 • Prince Frederick, MD 20678-0009 • (located at 120 Dares Beach Road)
(410)535-2577 • Fax (443)295-7213
E-mail: calvertchamber@calvertchamber.org • www.calvertchamber.org

Senate bill 1045.pdf
Uploaded by: Kathy Bernetti
Position: UNF

March 10, 2025

RE : Senate Bill 1045

Dear Chairman Guy Guzzone

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the CFO of Mid Atlantic Lifespan, a non-profit serving the Communities that provide care to the seniors of our state. We provide education to the staff ¸ we have group purchasing programs, provide advocacy and manage educational grant programs. Additionally, we manage 2 other associations within the senior care industry.

This bill would affect our business significantly. We run a very tight budget and this tax would cost our association over $10,000 in additional taxes. It would also increase our staff time, which is already stretched very thin. Our non-profit 501C3, the Beacon Institute would even be impacted as we provide some accounting services to the other associations and therefore, we would need add tax to those services, open tax accounts and monitor tax payments- something our 501 C3 has never been concerned with.

In addition to the impact on our companies, it would have a very negative consequence to the businesses in Maryland. Most of our businesses are small just as we are and most have no idea that this tax is looming. They don't have the time to testify as they are trying to run their businesses but I assure you it will create a very negative impact on them as well.

After researching, there are so very few states that impose services tax. As our state is trying to become more "business friendly" , this tax will do just the opposite. It will detract from Maryland at a time where we need theses businesses. Continuing to tax Marylanders instead of looking for ways to bring industry to our state is the short term answer to a bigger long term problem.

Kathy Bernetti

CFO Lifespan

443-255-2327

kbernetti@lifespan-network.org

Five Star Festivals Written Testimony- OPPOSED SB
Uploaded by: Kathy Hornig
Position: UNF

Five Star
FESTIVALS

Senate Bill 1045
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local Baltimore business, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that my business relies on daily to operate, including accounting, IT support, consulting, and many others.

In addition, my own business would be required to levy a 2.5% sales tax on our clients leading to a cash crunch from both sides for my business.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses like mine:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, with fierce competition located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for my business that must track, collect, and remit this new tax. For many small businesses like mine, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While I support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kathy Hornig
President
Five Star Festivals

SB1045 Comm Testimony.pdf
Uploaded by: Keith Laudenberger
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Honorable committee members:

I am a CPA in Maryland and am writing to express my strong opposition to Senate Bill 1045, which proposes imposing a tax on professional services used by businesses in Maryland. I am deeply concerned about the negative impact these bills will have on businesses, the employees of small businesses in Maryland, and the resulting negative impact on Maryland's economy.

Many of the services this bill proposes to tax are mandatory compliance services and not optional costs for many businesses in Maryland. Adding this tax increases these compliance costs reducing the capital available to invest in their businesses.

In today's mobile work world my firm is facing mounting pressure from out of state competitors. If My firm would need to charge a sales tax on the services, we provide to clients but an out of state competitor would not it would put my firm at a substantial disadvantage

Many service providers in Maryland are local businesses whose single largest expense is the wages we pay our staff. The loss of business that will result from clients seeking services from out of state providers or reducing the fees we charge to maintain cost competitiveness with out of state providers reduces the amount available to pay our staff. The competition for staff at CPA firms is very competitive. If my firm is not able to pay the same salaries as a Pennsylvania, West Virginia, or Virginia firm it is easy for staff to find employment at these out of state firms.

In conclusion, Senate Bill 1045 will have far-reaching negative consequences for businesses and CPA professionals in Maryland. I urge you to reconsider these proposals and explore alternative measures that support, rather than hinder, the growth and success of our state's economy. Hurting Maryland businesses will only reduce the funds available to support the budget goals of the legislature.

Thank you for your attention to this matter. I look forward to your support in opposing this bill.

Keith Laudenberger
400 Watkins Pond Blvd
Rockville Maryland
klaudenberger@gmail.com
240-632-1299

SB1045 Testimony.pdf
Uploaded by: Keith Laudenberger
Position: UNF

Keith Laudenberger
400Watkins Pond Blvd.
Rockville Maryland

Honorable committee members:

I am a CPA in Maryland and am writing to express my strong opposition to Senate Bill 1045, which proposes imposing a tax on professional services used by businesses in Maryland. I am deeply concerned about the negative impact these bills will have on businesses, the employees of small businesses in Maryland, and the resulting negative impact on Maryland's economy.

Many of the services this bill propose taxing are mandatory compliance services and not optional costs for many businesses in Maryland. Adding this tax increases these compliance costs reducing the capital available to invest in their businesses.

In today's mobile work world my firm is facing mounting pressure from out of state competitors. If My firm would need to charge a sales tax on the services, we provide to clients but an out of state competitor would not it would put my firm at a substantial disadvantage

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In conclusion, House Bill 1554 and Senate Bill 1045 will have far-reaching negative consequences for businesses and CPA professionals in Maryland. I urge you to reconsider these proposals and explore alternative measures that support, rather than hinder, the growth and success of our state's economy. Hurting Maryland businesses will only reduce the funds available to support the budget goals of the legislature.

Thank you for your attention to this matter. I look forward to your support in opposing this bill.

Keith Laudenberger, CPA

SIFMA Opposition Letter SB 1045 Taxable Business S

Uploaded by: Keith Walmsley

Position: UNF

Invested in America

March 10, 2025

The Honorable Guy Guzzone
The Honorable Jim Rosapepe
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 1045, Sales and Use Tax – Taxable Business Services – Alterations - OPPOSE

Dear Chair Guzzone, Vice Chair Rosapepe and Senate Budget and Taxation Committee Members:

The Securities Industry and Financial Markets Association ("SIFMA")[1] is a national trade association representing over 350 large, medium, and small broker-dealers, investment banks and asset managers, many of whom have a strong presence in Maryland. In fact, approximately 85,000 people in the state work in the finance and insurance industries, almost 18,000 of them are employed by securities firms, and 35 broker-dealer main offices call Maryland home. [2]

SIFMA is writing to express its strong opposition to Senate Bill 1045, legislation which would impose a 2.5% sales tax on a wide range of business-to-business transactions. Included in the list to be taxed are various financial services transactions, including portfolio management and investment advice, falling under NAICS Code 5239.

SIFMA strongly opposes a business-to-business tax, both in general and as it applies to the financial services industry. Our concerns include the following:

(1) A tax on portfolio management and investment advice hurts investors. Portfolio management and investment advice are critically important services, particularly during volatile economic times. Many of our firms work with businesses as they offer 401k and other retirement savings vehicles to their employees. A 2.5% service tax increases the overall cost of these plans, which translates into lower investment returns for employees saving for retirement. Similarly, small and large businesses use investment services to help their companies grow and prosper. Taxing such services results in less money for companies to invest back into their businesses and their employees.

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. For more information, visit http://www.sifma.org.
[2] US Department of Labor – Bureau of Economic Analysis and Discovery Data 2023. *See also* https://states.sifma.org/#states

(2) A sales tax on business transactions makes it significantly more costly for businesses to operate in the state. A 2.5% tax on business-to-business transactions is significant and makes Maryland an outlier both in the region and nationally. This will likely discourage new businesses from coming to the state and cause existing businesses to reevaluate their level of engagement with the state.

(3) The negative impact of the tax is much greater than the stated 2.5%. The taxes imposed on business services would have a "pyramiding" effect – the tax would be imposed on each transaction in the economic flow. This will result in increased costs at each level and substantially higher costs for the final consumer that well exceed the stated 2.5%.

(4) The proposed tax dramatically increases core operational costs of businesses with multiple legal entities. Large, multistate businesses often include multiple separate but related businesses within their overall business enterprise for various legal and operational purposes, such as financial services and shared services between business units. These entities engage in transactions amongst themselves to efficiently provide business support, financial planning, and other business services. Taxing these transactions dramatically increases operational costs and specifically penalizes companies that have made a significant commitment to the state.

(5) The proposed tax hurts Maryland small businesses, including smaller financial services firms. Small Maryland-based businesses that rely on various business-to-business services to support and maintain their operations would see their baseline costs of doing business increase substantially. These smaller businesses often have less ability to absorb these increased costs.

(6) A business-to-business tax creates substantial questions and administrative challenges for both businesses and the state. Because the vast majority of states do not impose such a tax, this is unfamiliar territory for most businesses. In this instance, businesses would have to: (a) evaluate whether a service sold between businesses is defined as a taxable service; (b) assess each individual service transaction to determine if it is taxable under Maryland sourcing rules (which are not clearly defined under existing law or by the proposed legislation); and (3) where applicable, collect and remit the tax. The Comptroller will also play a sizeable new role of identifying and registering businesses, educating them on the tax, monitoring for compliance, and enforcing the provisions. In addition, the difficulty of interpreting what services are being provided, whether those services are taxable services, and whether each transaction is sourced to Maryland could result in lengthy audits and may result in litigation.

In short, we do not believe that a business-to-business tax is good for Maryland, Maryland businesses, or Maryland retirement savers. For these reasons, we respectfully request that you reject SB 1045 as drafted.

We appreciate your attention to this important issue. Please contact me or our lobbyist Keith Walmsley with any questions or concerns.

Sincerely,

Kim Chamberlain

Kim Chamberlain
Managing Director & Associate General Counsel

Testimony SB 1045 .pdf
Uploaded by: Kelly Cullum
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organization I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kelly Cullum

CEO
Best Friends Fur Ever Inc.

Cultivate
+ CRAFT

March 12, 2025

Senate Budget & Taxation Committee
Bill #: **SB1045**
Position: **OPPOSE**

Chairman Guzzone, Vice Chair Rosapepe, and Members of the Committee,

We appreciate the opportunity to submit testimony regarding Senate Bill 1045. We are Kelly Dudeck and Janna Howley, co-founders and owners of Cultivate + Craft, a woman-owned start-up dedicated to supporting Maryland's value-added agriculture industry. Through our work, we represent more than 300 small businesses across the state—including breweries, wineries, distilleries, cheesemakers, craft food producers, and agritourism operations—who rely on professional services to sustain and grow their businesses.

We urge the committee to consider the significant burden this bill places on Maryland's small businesses. While a 2.5% sales and use tax on business services may appear minimal, it will have a real and lasting impact on start-ups like ours and the many producers we serve.

How Senate Bill 1045 Would Impact Cultivate + Craft and Our Members

Cultivate + Craft, like many small businesses, relies on outsourced professional services to remain operational and compliant. This includes accounting, bookkeeping, payroll, marketing, IT support, event staffing, and consulting. These services are not optional—they are essential to running an effective organization that supports Maryland's agriculture and craft beverage sectors.

By taxing these critical business-to-business services, this bill will:

- **Increase operational costs** for Cultivate + Craft and other small businesses that must contract these services rather than handle them in-house.
- **Create financial barriers** for our members, many of whom are small-scale producers working with tight margins.
- **Make marketing and advocacy more expensive**, limiting the ability of local breweries, wineries, and distilleries to promote themselves and attract customers.
- **Disproportionately harm start-ups and small businesses** that rely on professional expertise to navigate compliance, branding, and operational efficiency.
- **Unintentionally incentivize businesses to seek out-of-state service providers,** as the tax would not apply to services purchased from professionals based outside of Maryland. This not only disadvantages Maryland-based service providers but also reduces tax revenue in the long run.

Cultivate
+ CRAFT

A Direct Threat to Maryland's Value-Added Agriculture Industry

Our members—who include family-owned farms, craft beverage makers, and agritourism businesses—contribute significantly to Maryland's economy and rural communities. These businesses do not have large administrative teams and must contract out critical services like financial management, branding, and digital infrastructure.

Senate Bill 1045 makes these essential services more expensive, adding unnecessary financial strain on small businesses already navigating supply chain disruptions, inflation, and rising operational costs. Many of our members are still recovering from the financial impacts of the COVID-19 pandemic—now is not the time to impose new tax burdens on their operations.

Additionally, this bill creates a competitive disadvantage for Maryland-based service providers. By taxing only in-state services, it encourages businesses to hire out-of-state accountants, marketing firms, consultants, and IT professionals who are not subject to this tax. This is not only unfair to local businesses but also weakens Maryland's own professional service sector.

Conclusion

As a woman-owned start-up supporting Maryland's agriculture and craft beverage industry, we believe Senate Bill 1045 would be detrimental to small businesses across the state. This bill penalizes small businesses for investing in the professional services they need to succeed and creates a system that encourages them to look outside of Maryland for support.

For these reasons, we respectfully urge an **unfavorable report on Senate Bill 1045**.

Thank you for your time and consideration.

Sincerely,

Janna Howley Kelly J. Dudeck

Janna Howley & Kelly Dudeck
Co-principals, Cultivate & Craft

SB1045 Oppose 2025-03-10 Quincy CFO, signed.pdf
Uploaded by: Kelly Jennings
Position: UNF

QUINCY CFO
Complementing your business as you grow.

P.O. Box 87042, Gaithersburg, Maryland 20886
410-913-3922 ■ kelly.jennings@quincycfo.com ■ quincycfo.com

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
House Budget and Taxation Committee
March 10, 2025
Legislative Position: UNFAVORABLE

Dear Chair Guzzone and Members of the Committee,

My name is Kelly Jennings, and I am CPA (inactive) in Gaithersburg/Montgomery County. I am writing to express my strong opposition to HB 1554, which would impose sales tax on a wide range of business-to-business (B2B) services, including accounting, bookkeeping, and tax services.

My role in the Maryland community for the past 15 years has been to work with small businesses under $8M in revenue in the DC Metro area as a Chief Financial Officer.
HB 1554 will affect my fees to clients, but also my clients' fees to their clients as the majority of them are in the services industry too.

This proposal is deeply concerning because:

- **Increases costs for businesses**. Taxing essential services creates a pyramid effect, where businesses pay tax on services used to run their operations. With less than 35 employees, every one my clients hires businesses for the majority of these services… which with this tax will go up 2.5% in cost:
  - IT Services for data security and digital functioning; Bookkeeping & Accounting; Tax Preparation; 401k Administration; Marketing and branding; Proposal writing; Meetings Management and Sales
- **Creates compliance challenges**. My clients already struggle to keep up with and pay me to keep up with the laws for tax compliance in each of their own industries and locations in order to meet complex state and federal tax requirements. Applying sales tax to these services only adds unnecessary administrative burdens in tracking, filing, and understanding when and how to do this.
- **Businesses in Maryland are not going to be competitive** against similar service providers in other states that will have lower bills because there is no tax to be charged. Or more likely, my clients will be required to drop their fees and 'eat this sales tax' when their clients discover this additional charge on their bills.
- Many of my service provider clients have broadened their workforce out of Maryland, and now have started to explore **moving their headquarters to another state**. I feel this tax on services on top of other soon-to-be-implemented programs (FAMLI for example) will push them to finally move their offices.
- For cost cutting, **MD businesses will move to services providers outside of MD**. I've already encouraged my clients to hire folks that they have the option to meet in person for coffee or lunch, but the extra taxes and regulations will outweigh the value of a handshake. They will put more emphasis on tax-free services and hire providers outside of MD.

For these reasons, I respectfully urge an UNFAVORABLE report on HB 1554. Maryland businesses should not be penalized for seeking professional expertise to remain compliant and financially healthy. Thank you for your time and consideration. I appreciate your service to our state and would be happy to discuss this issue further.

Sincerely,

Kelly Jennings

SB 1045 - Testimony.pdf
Uploaded by: Kelly Mitchell
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local, small business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my small business, located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kelly Mitchell

Founder/Principal

impactHR, LLC

SB 1045 - CurlyRed Inc..pdf
Uploaded by: Kendall Ludwig
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a Maryland business owner of CurlyRed Inc., a creative agency in Garrett County, Maryland, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Most of our clients are small businesses and small nonprofits. Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For CurlyRed, located right next to the West Virginia line, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

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Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

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While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

M. Kendall Ludwig

president and principal designer

CurlyRed Inc.

KeriTopjian-SB1045-Testimony.pdf
Uploaded by: Keri Topjian
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As The Market at Dover Station, a new marketplace in Easton hosting more than 100 local vendors, I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

As a new marketplace supporting over 100 small vendors at 500 Dover Rd, Easton, MD 21601, we are particularly concerned about the cascading effect this tax would have. Our vendors are predominantly small, local entrepreneurs who operate on thin margins and rely on various professional services to remain competitive. This tax would create an additional financial burden at a critical time when our market and vendors are establishing themselves in the community.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

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Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Keri Topjian
Manager

The Market at Dover Station
500 Dover Rd, Easton, MD 21601
keri@doverstation.com
(410) 829-6001

HB 1554 - Testimony1 (1).pdf
Uploaded by: KIM MAHER-WHARTON
Position: UNF

House Bill 1554
Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As an owner of Maher's Florist I am in strong opposition of House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

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This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

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While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kimberly Maher Wharton

Maher’s Florist

SB1045

Opposed (UNF) to SB1045

Written testimony by Kimberly Fonda, CPA
160 Greentree Drive, Ste 203
Dover, DE 19904

Date March 10, 2025.

My name is Kimberly Fonda, and I am a Delaware Licensed CPA and a trusted business advisor in Dover, Delaware with clients in Maryland as well. I am a partner at Faw Casson and Co, LLP, a Maryland CPA firm, and we recently celebrated our 80th anniversary. As a matter of fact, we received an Official Citation from the Maryland General Assembly and A Resolution from the Senate of Maryland in recognition of our 80 years.

I am writing to state my clear **opposition to SB 1045**. This tax will increase costs for businesses and hurt Maryland's competitiveness with other States. I see this creating an unnecessary burden on service providers -including CPAs and their clients.

Concerned

Kimberly A Fonda

Kimberly Fonda, CPA

SB1045 testimony B&T.pdf
Uploaded by: Kirk McCauley
Position: UNF

WMDA/CAR Service Station
and Automotive Repair Association

Chair: Senator Guy Guzzone, Vice Chair Senator Jim Rosapepe, Member of Budget, and Taxation Committee

RE: SB1045 Sales and Use Tax - Taxable Business Services - Alterations

Position: Unfavorable

My name is Kirk McCauley, my employer is WMDA/CAR, we represent service stations convenience stores and repair facilities across the state as a non- profit trade group.

This “business to business Tax” is really a small business tax, yes it effects all business but small business disproportionately. Small businesses do not have professional resources in house, tax, bookkeeping, payroll, Maintenance all are provided by another business.

This is another bill that says Maryland is not interested in keeping business. Cost of this bill will be passed down to consumers. HB1554 should be called “Business to Consumer”. Business location around our borders with VA,DE,WV will be at a competitive disadvantage as they have with motor fuel and tobacco sales, this adds to that disadvantage. Why would a business want to come to Maryland?

Give Hb1045 an unfavorable report, and support business!

Any questions can be addressed to Kirk McCauley, 301-775-0221 or kmccauley@wmda.net

Senate Bill 1045 - Faith Resolutions Bookeeping.pd
Uploaded by: Kristen Faith
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Kristen Faith
Faith Resolutions Bookkeeping
1622 Bond Road
Parkton, MD 21120
kristen@faithresolutions.com

Dear Chair Guzzone and Committee Members,

I'm writing to you today as a concerned local business owner to strongly oppose Senate Bill 1045, which would create a new 2.5% tax on essential business-to-business services that my company relies on daily.

While I recognize Maryland's budget challenges, this new tax on accounting, IT, consulting and other critical services is a shortsighted solution that will further damage our state's business climate and competitive position. Here's why I believe this legislation would be harmful:

Direct Impact on Our Bookkeeping Firm: As a bookkeeping firm serving dozens of Maryland businesses, this legislation would force us to either absorb the 2.5% tax and significantly reduce our already tight profit margins, or pass this cost along to our clients. If we absorb the cost, we may need to reduce staff or cut back on technology investments that help us serve clients efficiently. If we pass the cost to clients, we risk losing business to competitors across state lines or seeing clients reduce their service packages with us.

Additionally, as a service provider, we'll face administrative burdens implementing new tax collection procedures, upgrading our billing systems, and ensuring compliance with new regulations. These are costs that take time and resources away from serving our clients.

Devastating Impact on Our Clients: The tax structure creates a "pyramiding" effect where services get taxed multiple times throughout the supply chain, ultimately leading to higher prices for Maryland consumers.

Many of our clients are small businesses operating with minimal profit margins who depend on our bookkeeping services to maintain financial compliance and make sound business decisions. This tax would directly increase their overhead costs.

For example, a small retail client currently paying $12,000 annually for our comprehensive bookkeeping services would face an additional $300 tax burden and increased fees from us as we support them with collecting and emitting this sales tax . When combined with similar new taxes on their IT support, marketing services, and consulting needs, a single small business could easily face thousands in new annual tax expenses.

This tax puts Maryland businesses at a severe disadvantage. Our neighbors in Virginia and Delaware don't impose similar taxes on business services. For clients near state borders, this creates a powerful incentive to work with out-of-state service providers like bookkeeping firms in neighboring states. I believe the best way to address Maryland's fiscal challenges is through policies that encourage business growth, not new taxes that stifle it. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I strongly urge you and your colleagues to reject SB 1045 and instead support policies that help Maryland businesses succeed.

Sincerely,

Kristen Faith
Owner
Faith Resolutions Bookkeeping

SB1045 VAAAC Sales and Use Tax - Taxable Business

Uploaded by: Kristen Pironis

Position: UNF

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
Chief Executive Officer, Visit Annapolis & Anne Arundel County
26 West Street
Annapolis, MD 21401
410-280-0445 / kp@visitannapolis.org

Date: March 10, 2025

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

MNCHA Opposition.pdf
Uploaded by: Kristi Stacharowski
Position: UNF

Dear Legislator,

I am the President of the Maryland National Capital Homecare Association, as well I have been an executive leader in the home based homecare service industry for over the last 27 years. I work collaboratively, represent, and guide Medicaid-enrolled Residential Service agencies that serve residents of the entire state of Maryland. I am emailing to ask that you support the Governor's FY2026 budget that provides Medicaid HCBS personal care and private duty nursing service providers with a 1% rate increase. This 1% rate increase is critical to our operations. In addition to supporting the Governor's budget with the 1% rate increase, I ask that you reject the DLS recommendation to decrease payment rates by 2%, which would be devastating to our programs and the clients that we care for under the Medicaid program.

I am engaged with a large group of providers who work on a daily basis to support patients in a homecare setting. Continued reductions to reimbursement will risk their ability to render quality and safe care to the members you represent. In addition, reductions risk the sustainability of agencies to remain in operation which would further limit access to care, putting your members in a healthcare risk.

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations.

Best Regards,

Kristi A. Stacharowski, MBA
Home Based Service Director
Nations Home Medical Equipment
President, MNCHA

ICI Comment Letter on Maryland Sales Tax on Servic
Uploaded by: Kyle Gilbert
Position: UNF

The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE
1401 H Street, NW, Washington, DC 20005 USA

March 10, 2025

Mr. Leader Moon:
350 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Senator Hettleman
220 James Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Delegate Vanessa Atterbeary, Chair
Delegate Jheanelle Wilkins, Vice Chair
Ways and Means Committee
House Office Building, Room 130,
Annapolis, MD

Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair
Budget and Taxation Committee
West Miller Senate Building, Room 3,
Annapolis, MD

Re: *SB 1045 & HB 1554: Sales Tax on Additional Services - Oppose*

Dear Mr. Leader Moon and Senator Hettleman,

The Investment Company Institute (ICI)[1]—on behalf of its members (asset managers) that operate or do business in Maryland, and all Maryland residents who save and invest through funds—strongly opposes SB 1045 and HB 1554, which expands the sales tax on services to additional services.

[1] The Investment Company Institute (ICI) is the leading association representing the asset management industry in service of individual investors. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage $39.1 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 120 million investors. Members manage an additional $9.6 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London.

Executive Summary

The proposed amendment to Section 11–101(c–12)(m)(14) would expand the definition of taxable services to include many financial services,[2] including investment advice and asset management services, among other services. We oppose these changes on three grounds:

- First, sales tax should not be applied to or incurred by shareholders and other investors saving for retirement and other important financial goals.
- Second, asset managers in Maryland should not be placed at a competitive disadvantage to out-of-state competitors.
- Third, applying sales tax to asset management services would be extraordinarily difficult (if not impossible) to implement and administer efficiently and fairly.

ICI strongly recommends that the sales tax not be extended to financial services including asset management services. At a minimum, a comprehensive study must be conducted to avoid unintended consequences of a services tax on the asset management industry.

1. Background on Investment Funds, Shareholders, and Asset Managers

An investment fund pools individual investors' collective savings and invests in a diversified portfolio of stocks, bonds or other securities. Each fund investor is a shareholder of the fund. Each share represents a proportionate ownership in all the fund's underlying securities. Investment securities are selected by a professional investment adviser to meet a specific financial goal, such as growth or income. The fund selects an investment adviser (also called an "asset manager" or "manager") to manage the fund's assets, operate and administer the fund. These investment advisers may also hire other investment advisers to manage portions of the fund, or the entire fund, or to provide specific investment advice ("sub-advisors").

Funds typically are distributed nationally. Investors often purchase their shares through intermediaries (*e.g.,* brokers) rather than directly from the fund. Shares purchased through an intermediary often are registered with the fund in the intermediary's name in a so-called "street name" account. Funds often will have little or no information about the intermediary's customers holding through these accounts. This information typically can be procured from third parties; this information, however, is neither immediately available, nor free.

Funds with a common investment adviser are often referred to as a fund "family" or "complex." Competition between fund complexes and their advisers is intense. This competition has led to a steep drop in fees that managers charge for investment advisory services.[3] As a result, managers are increasingly sensitive to state and local taxes that may place them at a competitive disadvantage.

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[2] As defined by reference to NAICs code 5239 (Other financial investment activities). https://www.naics.com/naics-code-description/?v=2017&code=5239.

[3] Asset-weighted average expense ratios for equity, bond, and hybrid mutual funds fell in 2018 to their lowest levels in at least 25 years. For example, asset-weighted basis, average expense ratios for equity mutual funds fell from 0.99 percent in 2000 to 0.42 percent in 2023, a 58 percent decline. https://www.icifactbook.org/pdf/2024-factbook-ch6.pdf

2. **Sales tax should not be applied to or incurred by shareholders and other investors saving for retirement and other important financial goals.**

Imposing sales tax on the investment advisory services provided to funds and their shareholders will increase the cost of saving for retirement and other long-term needs. Given the increased responsibility that individuals have for ensuring their own retirement security, the legislature should be creating incentives to *encourage* rather than *discourage* saving.

Mutual funds and exchange traded finds (ETFs) are the investment vehicle of choice for moderate-income investors, have democratized our capital markets in ways that could not have been imagined just a generation or two ago. The typical mutual fund investor is a middle-class American with a median household income of $100,000 and modest holdings.[4] More than half of all American households are mutual fund investors and now depend on these investments to buy a home, finance a child's education, support aging parents or extended family, and prepare for retirement. Sales tax paid by the investment advisor is effectively incurred by the fund's shareholders, as taxes and fees paid by the fund directly reduce the value of the fund, and every share of that fund.

3. **Asset managers in Maryland should not be placed at a competitive disadvantage to out-of-state competitors.**

Extending the sales tax to services provided by asset managers operating in Maryland could place them at a distinct competitive disadvantage with out-of-state asset managers. Asset managers and their employees are mobile, and their offices are dispersed through the United States and overseas. These are well-compensated jobs and highly educated employees that states often covet. The legislature should be incentivizing asset managers to locate, hire, and operate in Maryland, rather than elsewhere. Asset managers remaining in Maryland likely would be required to assess and collect sales tax on their services, while out-of-state asset managers may not, or may incur less Maryland sales tax. Imposing sales tax on services *always* have this anti-competitive effect for Maryland-based asset managers, it cannot be corrected by technical modifications to the legislation.

Asset managers need well-educated employees and ready access to modern technology. Physical equipment requirements are minimal. The growing prevalence of remote work in the post-pandemic hybrid working environment, and advances in technology, have further decreased the need for asset managers to maintain office space. Many employers are downsizing office space and reducing or eliminating hiring in states that create significant tax burdens for companies operating in those states, such as sales taxes on services. These employers will simply hire employees in other states where they have offices or hire remote employees in states with more favorable tax regimes. Likewise, fund shareholders are widely dispersed across the United States, and can easily communicate with an asset manager electronically, by mail, or over the phone. A "local" asset manager has no inherent advantage over "non-local" managers in attracting new local investors. Given this mobility of asset managers and shareholders, other factors such as tax burdens provide a strong incentive or

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[4] The median mutual fund–owning household had $100,000 in household income, $225,000 in household financial assets, and $125,000 invested in three mutual funds, including at least one equity mutual fund. https://www.icifactbook.org/pdf/2024-factbook-ch7.pdf

disincentive for asset managers when determining where to establish or expand operations and hire or relocate employees.

4. **Third, applying sales tax to asset management services would be extraordinarily difficult (if not impossible) to implement and administer efficiently and fairly.**

The bill as drafted applies broadly to all investment advice but does not specify how the tax would be applied to the fund industry. Difficult policy questions arise in determining, for example, which party (the investment adviser, the fund, or the investors) should be treated as receiving the service. Careful study is needed before enacting taxes with highly uncertain application.

If investment advice was subject to tax, it isn't clear what portion of investment advisory services (if any) would taxable in Maryland. The fund itself contracts with the investment adviser for their services, but is isn't clear whether the fund or the fund's shareholders ultimately benefit from those services. Sub-advised funds present additional complexity, because the fund's investment adviser may sub-contract with other investment advisers to manage a portion of the fund.

A sales tax on services *theoretically* could be assessed either against the fund itself or against the fund's shareholders. Presumably, the tax would be assessed based upon the location of (1) the fund's assets manager, or (2) the fund's state of incorporation, if the fund were treated as the consumer, or (3) the fund's shareholders, if the shareholders were treated as the consumer on a look-through basis. If the fund's investors are deemed to be the consumer of these services, it would be difficult or impossible to determine the location of all fund shareholders. Many individuals invest in funds through brokers and other intermediaries, which do not disclose the identities or residences of their customers to the fund or the fund's investment advisor.

Collection would be problematic if the tax were applied broadly to funds with no presence in Maryland that have shareholders in Maryland. Out-of-state asset managers and funds would not know how many of their investors were Maryland residents and what tax would be assessed and potentially due. Easily-collectible tax might be limited to those Maryland investors who purchase fund shares directly from managers with operations in Maryland. This result would be bad for Maryland because it would disadvantage fund managers operating in Maryland compared to fund managers located elsewhere.

If the location of the sale was determined based on the location of the fund's asset manager (or where it has employees), or the fund's state of incorporation, the tax would apply only to funds incorporated in or managed by asset managers with operations in Maryland and would be based upon the full cost of the service. This would increase expenses of funds managed from or operating in Maryland and would put these funds and their asset managers at a distinct competitive disadvantage both in the US market and globally.

If the location of the sale was determined based on the location of the fund's investors (shareholders), the tax could theoretically be charged to all funds regardless of whether they were managed or operated in Maryland or elsewhere, based on the portion of each fund's shareholders based in Maryland. Three problems would arise from this approach.

First, significant difficulties arise in collecting tax from fund managers located outside of Maryland. Second, as described above, fund managers often do not know their shareholders' states of residence. Determining residence would result in additional costs—all of which would be borne by the funds' shareholders. Third, even if the tax could be charged to and collected from asset managers nationwide, based on the shareholder location, the tax would not be borne only by the funds' Maryland shareholders. Funds cannot allocate expenses to specific shareholders based upon residence or any other criteria (other than share class). Although the tax might be "charged" for services "provided" in Maryland, the tax burden would fall equally on all investors, wherever they reside.

Finally, sales tax on business-to-business transactions are harmful and can result in multiple cascading taxation of the same revenue without appropriate exemptions. ICI opposes sales taxes on business-to-business transactions, for the same reason described by COST, in the attached comment letter, which may be revised and resubmitted by COST. ICI won't duplicate those comments here but will raise one additional point about the duplicative nature of business-to-business taxes in the asset management industry. Many funds are sub-advised, which means that the fund contracts with and pays a primary asset manager, who then separately contracts with and pays a secondary asset manager (sub-advisor) to manage a portion of the portfolio. A single fund can have multiple sub-advisors, and a sub-advisor can also contract with additional sub-advisors (sub-sub-advisors). In these scenarios, a single asset management fee could be taxed multiple times, compounding the tax burden that is ultimately borne by the fund's shareholders. Similar duplicative taxation could apply to transaction between affiliates of the asset manager.

In closing, we oppose the proposed expansion of sales tax to asset management services and other financial services.

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The ICI appreciates your consideration of our concerns. Please do not hesitate to contact Mike Horn at michael.horn@ici.org or (202) 326-5832 or Katie Sunderland at katie.sunderland@ici.org or (202) 326-5826 if you have any questions regarding this letter or would like any additional information regarding the organization, operation, or taxation of funds and their shareholders.

Sincerely,

Mike Horn

Mike Horn

Deputy General Counsel - Tax Law

Katie Sunderland

Katie Sunderland

Associate General Counsel – Tax Law

cc:

Speaker of the House Adrienne A. Jones
H-101 State House
100 State Circle
Annapolis, MD 21401

Senate President Bill Ferguson
H-107 State House
100 State Circle
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COST
COUNCIL ON STATE TAXATION

Stephanie T. Do
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March 2, 2020

Maryland General Assembly
House Ways and Means Committee

Re: COST's Opposition to House Bill 1628, Sales and Use Tax – Rate Reduction and Services

Dear Chair Kaiser, Vice Chair Washington, and Members of the Committee:

Thank you for the opportunity to provide testimony today on behalf of the Council On State Taxation (COST) in opposition to House Bill 1628 (H.B. 1628), Sales and Use Tax – Rate Reduction and Services, which would inappropriately expand the application of Maryland's sales tax to many business inputs without an exemption for business-to-business transactions. Business inputs constitute intermediate, not final, goods and services because companies either resell these goods and services or use the materials, products, machinery and services to produce other goods or services that subsequently are sold to households.

COST does not generally oppose legislation that broadens a state's sales tax base to business-to-*consumer* transactions. However, H.B. 1628's proposed sales tax expansion to include services—many of which are predominantly provided to businesses, without providing an exemption for business inputs—directly violates the economic principle that an ideal sales tax should tax household consumption and not business inputs.[1]

If this legislation passes, Maryland would be the first state in decades—and the only large population state ever—to impose such an expansive sales tax on business inputs. There are only a few smaller-population and non-industrialized states that long ago enacted a broad-based sales tax on services ((*e.g.*, South Dakota, Hawaii, and New

[1] *See* Andrew Phillips and Muath Ibaid, Ernst & Young LLP, "The Impact of Imposing Sales Taxes on Business Inputs," prepared for the State Tax Research Institute and the Council On State Taxation (May 2019), available at: https://www.cost.org/globalassets/cost/stri/studies-and-reports/1903-3073001_cost-ey-sales-tax-on-business-inputs-study_final-5-16.pdf; John L. Mikesell, "Reversing 85 Years of Bad State Retail Sales Tax Policy," State Tax Notes (February 4, 2019); Robert Cline, Andrew Phillips and Tom Neubig, Ernst & Young LLP, "What's Wrong with Taxing Business Services? Adverse Effects from Existing and Proposed Sales Taxation of Business Investment and Services," prepared for the Council On State Taxation (April 4, 2013), available at: https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/sales-taxation-of-services-and-business-inputs-study.pdf; Analysis of Proposed Changes to Select Ohio Taxes Included in the Ohio Executive Budget and Ohio House Bill Number 64, issued in 2015, available at: https://cost.org/globalassets/cost/stri/studies-and-reports/analysis-of-proposed-changes-to-select-ohio-taxes-included-in-the-ohio-executive-budget.pdf.

Mexico). One can hardly imagine a worse signal to the national business community, demonstrating that Maryland is business unfriendly and not competitive.

Historically, most states, including Maryland, have included in their sales tax base a broad range of goods, but only a limited range of services. With the rapid growth of the services sector in recent decades, it is understandable why a state would want to expand its sales tax base to include more service categories. However, H.B. 1628 expands the sales tax base not only to include a wide range of services consumed by households, but also to an even wider range of services consumed by businesses. In recent years, there have been similar broad-based proposals in several states such as Louisiana, Minnesota, and Ohio to significantly expand the sales tax to include services, and the share of the additional tax that would be imposed on business inputs was estimated to be as high as 80%.[2] The disproportionate burden that would be imposed on businesses by H.B. 1628 has been acknowledged by the Maryland Department of Legislative Services. In its Fiscal and Policy Note on H.B. 1628, the Department reached the following conclusion: "It should be noted that many of the categories of services that are estimated to generate significant revenue under the bill, including business services, professional services, and information services, are services that are largely consumed by businesses."[3]

The Maryland Department of Legislative Services also noted the historic failure of all other sales tax base broadening proposals that included a wide range of business services, compared with the more incremental approach taken by many other states that limited the base expansion largely to services purchased by households: "A number of states, including Louisiana, Massachusetts, Michigan, Nebraska, Pennsylvania, and Utah, have proposed significantly broadening their sales tax bases, including to professional services, but none have been successful. Meanwhile, Connecticut, the District of Columbia, Iowa, Kentucky, and North Carolina have taken incremental steps to broaden the application of their sales and use taxes to additional services."[4]

Maryland would do well to heed the lessons of other state efforts to broaden the sales tax base and limit the expansion to household services only. To do otherwise, will encumber the State with a draconian expansion of the sales tax base to business inputs and make Maryland an outlier among all states in terms of its divergence from the principles of a fair and efficient sales tax. This, in turn, will undermine all of the State's efforts to raise revenues for state and local government programs while still fostering a healthy environment for business investment and job growth. While we understand that the legislative intent of H.B. 1628 is to broaden the base and lower the sales tax rate, the proposed rate reduction does not mitigate COST's concerns regarding the expansion of the tax base to business-to-business transactions.[5]

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an

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[2] Cline, Phillips, Neubig, "What's Wrong with Taxing Business Services? Adverse Effects from Existing and Proposed Sales Taxation of Business Investment and Services," 15-17.
[3] Department of Legislative Services, Maryland General Assembly, "Fiscal and Policy Note" on House Bill 1628, 5, available at: http://mgaleg.maryland.gov/2020RS/fnotes/bil_0008/hb1628.pdf.
[4] *Id.* at 4.
[5] Businesses will certainly benefit from the sales tax rate reduction on the business inputs that are currently taxed under Maryland law. But since the business share of purchased services included in sales tax base broadening legislation is generally much larger than the business share of purchased goods subject to sales tax, H.B. 1628 is likely to lead to a substantial net increase in sales tax paid by businesses in Maryland.

advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 550 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

Policy Against Imposing State Sales Tax on Business Inputs

The COST Board of Directors has adopted a formal policy position opposing the imposition of state sales tax on business inputs, which provides.[6]

> *Imposing sales taxes on business inputs violates several tax policy principles and causes significant economic distortions. Taxing business inputs raises production costs and places businesses within a State at a competitive disadvantage to businesses not burdened by such taxes. Taxes on business inputs, including taxes on services purchased by businesses, must be avoided.*

H.B. 1628 is inconsistent with creating a more efficient and modern sales tax system. Imposing sales tax on business inputs specifically violates the tax policy principles of neutrality, equity, simplicity and transparency, and it causes significant economic distortions. Taxing business inputs is inconsistent with the rationale for a sales tax designed to operate as a tax only on final household consumption; because businesses are not the final consumers of business input purchases, the sales tax should not apply to their purchases.[7]

Notably, these distortions result primarily from pyramiding. Pyramiding occurs when a tax is imposed at multiple levels that results in a hidden effective tax rate that exceeds the retail sales tax rate. Pyramiding forces companies to either pass these increased costs on to consumers or reduce their economic activity in the State to remain competitive with other producers who do not bear the burden of such increased taxes. Because of these choices, the economic burden of taxes on business inputs inevitably shifts to labor in the State (through lower wages and employment) or consumers (through higher prices).

H.B. 1628 would create other significant adverse economic distortions from the current taxation of business purchases in Maryland. For example:

- Taxing business inputs encourages companies to self-provide business services to avoid the tax rather than purchasing them from more efficient providers and paying tax (vertical integration);

- Taxing business inputs places companies selling in international, national and regional markets at a competitive disadvantage to many of their competitors, leading to a reduction in investment and employment in the State;

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[6] Available at: https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/sales-taxation-of-business-inputs.pdf.

[7] Andrew Phillips and Muath Ibaid, Ernst & Young LLP, "The Impact of Imposing Sales Taxes on Business Inputs," prepared for the State Tax Research Institute and the Council On State Taxation (May 2019), available at: https://www.cost.org/globalassets/cost/stri/studies-and-reports/1903-3073001_cost-ey-sales-tax-on-business-inputs-study_final-5-16.pdf.

- Taxing business inputs unfairly and inefficiently taxes some products and services more than others by imposing varying degrees of tax on inputs in addition to a general tax rate on final sales;

- Taxing business inputs unfairly hides the true cost of government services by embedding a portion of the sales tax in the final price of goods and services; and

- Taxing business inputs increases administrative and compliance costs for tax administrators and taxpayers.

Finally, sales taxes on business services, in particular, create significant cost disadvantages for small businesses. Small businesses are often less likely than large businesses to be able to vertically integrate. Without the means to compete with larger businesses that can vertically integrate and internalize certain costs, the demand for services provided by small businesses is reduced. Moreover, increased administrative and compliance costs are another strain for small businesses to absorb.

H.B. 1628 Would Undo Much of the Benefit of Maryland's Legislative Shift to a Single Sales Factor

Ironically, Maryland's recent tax policy has moved in a diametrically opposite direction with regard to understanding the importance of providing a tax structure that encourages in-state production and investment. For corporate income tax purposes, Maryland has recognized the value of relying on consumption rather than production tax principles as a central tenet of sound tax policy by shifting the apportionment formula for its corporate net income tax to rely almost wholly on the sales factor. By removing the property and payroll factors from the corporate apportionment formula, Maryland is taxing businesses not based on the jobs or investment in the State, but only based on their proportion of sales into the State. To then turn around and enact sweeping sales tax base broadening legislation, the burden of which will fall largely on businesses, will move Maryland in the exact opposite direction, penalizing businesses for investing, making purchases, and creating jobs in Maryland.

H.B. 1628 Would Negatively Impact Maryland's Sales Tax Scorecard Grade

In April 2018, COST released a Scorecard evaluating "The Best and Worst of State Sales Tax Systems."[8] The Sales Tax Scorecard graded states on the administration of their respective state and local sales and use taxes. Like other COST scorecards, it is meant to help improve tax administrative systems which will ultimately increase compliance. The Sales Tax Scorecard objectively evaluates state statutes and administrative rules that govern the administrations of the states' sales taxes by the states' taxing agencies. COST's scorecards are ultimately directed at policymakers, who are in the best position to make improvements to the state's sales tax through statutory changes. In the Sales Tax Scorecard, COST considered the following categories:

- The extent of taxation of business inputs or pyramiding of the sales taxes;

- Fair sales tax administrative practices;

[8] Available at: https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/the-best-and-worst-of-state-sales-tax-systems-august-17-2018-final.pdf.

- Uniformity of state and local sales tax bases and centralized administration;
- Simplification and transparency of the sales tax;
- Reasonable tax payment and credit administration; and
- Fair audit and refund procedures.

Considering these categories, Maryland received a "C" grade. If H.B. 1628 passed, however, Maryland's grade would definitely be impacted adversely. Specifically, its grade would likely be lowered to a "D+," significantly lowering its ranking amongst the other states to become one of the lowest ranked states. H.B. 1628 would directly impact Maryland's score in the categories evaluating the taxation of business inputs and pyramiding of the sales tax. H.B. 1628 will significantly increase Maryland's percentage of state and local sales tax derived from business-to-business transactions, which currently is estimated at 42 percent. By way of comparison, South Dakota and New Mexico, two of the states that tax the broadest range of services (without exemptions for business inputs), also have the highest share of state and local sales taxes derived from taxing business inputs at 58 percent and 60 percent, respectively.

For these reasons, COST urges members of the Committee to please vote "no" on H.B. 1628.

Respectfully,

Stephanie T. Do

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

ANSMD Oppose Tax Bill.pdf
Uploaded by: Kyle Weadock
Position: UNF

Access Nursing Services

HOME CARE
SPECIALTIES
PRIVATE DUTY
HOSPITAL STAFFING

Dear Legislators:

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the President of Access Nursing Services of Maryland, Inc. We provide in-home nursing services to medically fragile children, adults with disabilities, and the elderly. Taxing our services to these individuals will absolutely jeopardize patient safety. We're already operating on razor thin margins between low reimbursement rates for services, insurance, payroll taxes, etc. and if you add in additional sales and use tax on top of all of this the only way to absorb it and stay financially solvent is to deduct from our employees pay rates who are the clinicians working in the field caring for these vulnerable populations. This means nurses working in this field will absolutely gravitate toward a different field of nursing leaving a huge void to fill. Most likely we will end up with less experienced nurses and more patient safety issues. I implore you please to think of these citizens and OPPOSE HB1554/SB 1045.

Thank you for your consideration and I'm confident you'll make the right choice!

Sincerely,

Kyle Weadock
President/CEO

Access Nursing Services of Maryland, Inc.
1407 York Road, Suite 207
Lutherville, MD 21093

25-0307 L Guzzone - Opposition to SB1045.pdf

Uploaded by: Laura Hurley

Position: UNF

WICOMICO COUNTY, MARYLAND
P.O. BOX 870
SALISBURY, MARYLAND 21803-0870
410-548-4696
FAX: 410-548-7872

WICOMICO COUNTY COUNCIL
John T. Cannon, President/At-Large
Jeff Merritt, Vice-President/District #2
James Winn, At-Large
Shanie Shields, District #1
Shane T. Baker, District #3
Josh Hastings, District #4
Joe Holloway, District #5
Laura Hurley, Council Administrator

March 7, 2025

Budget and Taxation Committee
Attn.: Honorable Senator Guy Guzzone, Chair
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Opposition to Senate Bill 1045- Sales and Use Tax Expansion

Dear Honorable Chairman Guzzone and Committee Members,

We are writing to express our strong opposition to Senate Bill 1045, which seeks to expand Maryland's sales and use tax to a broad range of business-to-business (B2B) services. This proposed legislation will have severe economic consequences for Maryland businesses, particularly small businesses that rely on these essential services to operate efficiently and competitively.

If enacted, SB 1045 would impose a tax on critical services such as accounting, payroll, landscaping, technology, and consulting. These are not luxury expenses but necessary operational costs for businesses of all sizes. By increasing the financial burden on Maryland businesses, this bill will discourage investment, stunt economic growth, and ultimately make Maryland less competitive compared to its neighboring states.

The additional costs imposed on business owners will lead to higher prices for consumers, reduced hiring, and a slower economy. Furthermore, passing this bill sets a dangerous precedent for future tax increases on other essential business services. While it may provide a short-term revenue boost, the long-term impact on Maryland's economic vitality could be detrimental.

We urge you to oppose SB 1045. Maryland must remain competitive and business-friendly, not drive businesses away with additional taxation on fundamental services.

Sincerely,

WICOMICO COUNTY, MARYLAND

John T. Cannon, Council President

cc: Wicomico County Council

SB 1045 - LaurieZuiderhof[2].pdf
Uploaded by: Laurie Zuiderhof
Position: UNF

House Bill 1445
Date: March 10, 2025
Committee: Ways and Means
Position: Opposed

Dear Delegate Moon and Members of the Committee,

I am a commercial Real Estate salesperson who represents dozens of business owners and commercial property owners. I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. Customers located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Remember what happened to the state when Gov. O' Malley increased taxes. We had business and millionaire flight. **Maryland ranks 47th in the nation for business friendliness and is the fourth most expensive state for business operations.**

Sincerely,

Laurie Zuiderhof

SB1045 2.5 percent B2B tax proposal opposition.pdf
Uploaded by: Leanne Stewart
Position: UNF

Senate Bill 1045

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

Position: **Opposed**

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

I understand Maryland faces budget challenges, but implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. Attempting to reduce the shortfall created by overspending through additional taxes is NOT a solution; in fact the ripple effects will likely create further shortfalls. Curbing spending is the appropriate answer. This administration inherited an outstanding positive surplus, but with poor planning and overzealous spending, it has created a problem that will NOT be corrected simply by adding another tax to the very persons and businesses that provide solutions, jobs, and revenues in the state.

There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses lack the resources to absorb new taxes or bring services in-house. Small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, cutting investments in growth, or even relocating or purchasing services from outside of Maryland.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, this proposed tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states. I will certainly consider these alternatives for my business.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than operating and even attempting to grow their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

To ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion, and curb spending. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in Maryland.

Sincerely,

Leanne L. Stewart

Owner – Stewart Accounting

MD Senate Written Testimony Business to Business S
Uploaded by: Leslie Cario
Position: UNF

Chesapeake Horticultural Services, LLC
Specializing in native plants and conservation landscaping

410-924-5847 • lesliecario@cheshort.com
chesapeakehort.com

606 Goldsborough St, Easton, MD 21601

March 10, 2025,

Dear Maryland Senators,

The proposed business-to-business (B2B) sales tax in HB 1554/SB 1045 is a dangerous precedent that will inevitably lead to even more tax expansions. If history is any indication, Maryland won't stop at the currently targeted business services. Once established, other industries will be next, and the burden on small businesses and consumers will continue to grow.

As a small business owner, sole proprietor of a consulting business, I am wary of the added accounting and tax preparation burden that I would be forced to take on and of the added tax that would be passed on to my clients, most of whom are small businesses or non-profit organizations already pulling back in this time of economic uncertainty. I am also wary of the effect of paying this tax to those who provide services to my business- CPA, web services, and computer tech support. These services are already quite expensive for a small business, let alone an added service tax on top of each one. It is clear that this B2B tax would have a major impact on small businesses in Maryland, and even greater ramifications for Maryland's businesses if expanded in the future.

Other states have considered B2B taxes, but most have repealed or rejected them because they lead to job losses, lower wages and businesses leaving for more competitive states. Maryland should learn from those mistakes, not repeat them.

The harmful impact of this tax extends far beyond businesses to consumers, who will face higher prices for everyday goods and services as these costs are passed through the economy. I strongly urge you to vote NO on HB 1554/SB 1045, to prevent Maryland from starting down this problematic path, to keep Maryland competitive, and to keep Maryland's small businesses in business!

Sincerely,

Leslie H Cario

Leslie H. Cario
Principal, Chesapeake Horticultural Services

SB 1045 - Testimony.pdf
Uploaded by: Lillian Franklin
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business that offers remote bookkeeping services, this tax creates a strong incentive for my potential clients to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While I support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Lillian Franklin
Owner

Lighthouse Ledgers, LLC

SB 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Linda Borgman
Linda Borgmann Realty
1630 Bond Road
Parkton, MD 21120
linda@borgmannhomes.com

Dear Chair Guzzone and Committee Members,

I'm writing to you today as a concerned local business owner to strongly oppose Senate Bill 1045, which would create a new 2.5% tax on essential business-to-business services that my company relies on daily.

While I recognize Maryland's budget challenges, this new tax on accounting, IT, consulting and other critical services is a shortsighted solution that will further damage our state's business climate and competitive position. Here's why I believe this legislation would be harmful:

The tax structure creates a "pyramiding" effect where services get taxed multiple times throughout the supply chain, ultimately leading to higher prices for Maryland consumers.

This tax puts Maryland businesses at a severe disadvantage. Our neighbors in Virginia and Delaware don't impose similar taxes on business services. For businesses like mine near state borders, this creates a powerful incentive to work with out-of-state service providers, while Maryland service companies will be tempted to relocate across state lines.

Unlike traditional sales taxes on final products, this B2B tax creates a "tax on tax" scenario where services taxed throughout production result in significantly higher costs than the 2.5% rate suggests.

I believe the best way to address Maryland's fiscal challenges is through policies that encourage business growth, not new taxes that stifle it. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I strongly urge you and your colleagues to reject SB 1045 and instead support policies that help Maryland businesses succeed.

Sincerely,
Linda Borgmann
Borgmann Homes Realty

SB 1045 - Testimony.pdf
Uploaded by: Linda Thane-Morgan
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth. Further businesses that do not require an in person element will struggle to maintain clientele that can easily shift to another provider not located in Maryland.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Linda Thane-Morgan

President

Support Unlimited Inc

March 12, 2025

SB1045– Sales and Use Tax - Taxable Business Services – Alterations

Committee: Budget and Taxation

MaGIC Position: OPPOSED

The Maryland Green Industry Council wants to express their opposition to **Senate Bill 1045** The Maryland Green Industries Council represents the Maryland Nursery, Landscape, Greenhouse Association, Maryland Arborist Association, The Frederick Area Landscape Contractors and Nurserymen and the Maryland Association of Green Industries. Council members provide landscape and lawn care services, tree care services, and pest control services. Members service clients in all Maryland counties and Baltimore City.

The passage of this proposed legislation would increase the cost of doing business not only for our members but also their business customers. This tax does not just target large corporations. Adding a 2.5% service tax to the myriad of business services outlined in the bill will disproportionately impact small businesses who tend to outsource these services including bookkeeping, human relations, property management, among others. While 2.5% may seem insignificant on any one service, the cumulative impact of 2.5% on every service will absolutely be significant.

The services provided to the customers of MaGIC members are not optional services. Lawn care required to comply with local property codes, removing a downed tree due to a storm, or pest control services such as bed bug treatment are not luxury or optional purchases.

MaGIC members are law abiding, tax paying, legitimate businesses who would comply with this law if passed. This bill will ultimately cause our customers to cancel services purchased from our legitimate companies and turn to unlicensed, uninsured, and non-tax paying "underground" individuals who will accept cash for services rendered. Maryland is also proximally located very close to neighboring states that do not impose taxes on some of the services named in the bill which means customers could also switch to out of state providers to avoid the additional cost.

Additionally, if this bill were to pass, the administrative burden on the businesses we represent, many of which are small businesses, would be immense. Having to collect, account for and remit services taxes to the state, all by July 1, is no small feat. This will place additional financial stress on small, family-owned businesses already struggling with crippling inflation.

MaGIC understands the need to raise revenue but doing so by increasing taxes on Marylanders and small businesses in these already tough economic times is not the answer.

118 Dundee Ave ■ Chester, MD 21619 ■ Phone: 443-262-8491 ■ E-mail: lindsay.mdag@gmail.com

Frederick Area Landscape Contractors and Nurserymen ■ Landscape Contractors' Association, Inc. MD, DC, VA ■ Maryland Arborist Association ■ Maryland Association of Green Industries ■ Maryland Nursery, Landscape, and Greenhouse Association
Executive Director, Lindsay Thompson

House Bill HB1554 SB1045 Sales and Use Tax – Taxab

Uploaded by: Lindsey Drabczyk

Position: UNF

Lindsey Drabczyk
Regional Director, Active Day Medical Adult Day Program
ldrabczyk@activeday.com
443-623-7874
March 10, 2025

Subject: Opposition to House Bill 1554/Senate Bill 1045

Dear Legislators,

I am writing to express my strong opposition to House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. As the Regional Director of Active Day Medical Adult Day Program, I oversee services that are essential to Maryland's elderly and vulnerable residents.

Medical Adult Daycares provide essential daily services to over 6400 elderly and disabled Marylanders each day. Services are a fraction of nursing home costs and include structured activities, transportation, nutritious meals, and assistance with daily living. Many of our participants are Medicaid recipients, and our reimbursement rates are already limited, making it difficult to sustain operations without undue financial strain.

The proposed expansion of the sales and use tax to include taxable business services would impose an additional burden on our ability to provide affordable, high-quality care. Any increase in operational costs could force reductions in services, limit accessibility for those in need, and ultimately impact the well-being of our elderly population.

In 2025, Active Day has already had to close one center in Annapolis and is in the process of shutting down a second location in Harford. The rising operational costs, coupled with limited state reimbursement and financial support, have created an unsustainable environment for adult day programs like ours. Despite our commitment to providing essential services to Maryland's elderly and vulnerable populations, the financial strain has made it increasingly difficult to continue operations. Without adequate funding and relief from additional tax burdens, more closures may become inevitable, further limiting access to critical services for those who depend on them.

I urge you to reconsider this legislation and the negative impact it would have on Medical Adult Daycares and the communities we serve. Thank you for your time and consideration.

Sincerely,

Lindsey Drabczyk

Lindsey Drabczyk
Regional Director
Active Day Medical Adult Day Program

AUTUMN LAKE
HEALTHCARE
at Arlington West

March 10, 2025

Guy Guzzone, Chair
Senate Budget & Taxation
3 West Miller Senate Office
Annapolis, MD 21401

RE: Senate Bill 1045

Dear Senator Guzzone:

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the Administrator of Autumn Lake Healthcare at Arlington West, located in Baltimore City. We provide both skilled rehabilitation services and long-term care to the residents of Maryland.

This tax will have a detrimental effect on many areas of the care and services we provide. More than 75% of our resident clientele depend on Maryland Medical Assistance, which, as you know, is already fiscally restricted. The tax would have a disproportionate impact on Arlington West and many other facilities like ours which depend on Medicaid dollars.

Please allow us to continue to provide the care and services to one of Maryland's most vulnerable populations.

Sincerely,

Lisa I. Gibson
Nursing Home Administrator

AWBENGINEERS

March 10, 2025
25-MRS-0078

The Honorable Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Opposition
SB 1045 Sales and Use Tax
Taxable Business Services – Alterations

Dear Chair Guzzone and Members of the Committee,

As an Owner of a Maryland engineering & architecture firm, I write to express strong opposition to Senate Bill 1045, which proposes expanding Maryland's sales and use tax to essential business-to-business (B2B) services. This legislation would impose a 2.5% tax on critical professional services that architects, engineers, and designers rely on daily; including consulting, accounting, IT, legal, and other essential operations.

While we recognize the need for fiscal responsibility, implementing a B2B service tax would have harmful, long-term consequences for Maryland's built environment, small businesses, and economic competitiveness. This bill is not just about added costs, it threatens the very foundation of how our firms operate and contribute to Maryland's communities. Engineering & Architecture firms, many of which are small businesses, rely on specialized professional services to support their projects and operations. This new tax would significantly increase operational costs, forcing difficult decisions about contracting, marketing, staffing and assessing which additional costs need to be absorbed, or costs that are attributable to projects.

Taxing services used in engineering & architectural design and construction creates a cascading tax effect, where services are taxed multiple times at different stages. This drives up project costs and directly impacts clients, from homeowners to developers and municipalities working on vital infrastructure projects.

Maryland would become one of the few states in the region to impose such a tax. For our business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

The built environment is a major contributor to Maryland's economy. By increasing costs for design and construction services, this bill would discourage investment in new projects, slow economic development, and reduce the ability of firms to take on new work; especially in sectors that drive public benefit, such as affordable housing, infrastructure, and sustainability initiatives.

Beyond financial strain, this tax would create complex new compliance requirements, forcing engineering / architectural firms to track, collect, and remit taxes on a broad range of professional services. Many small firms do not have in-house financial teams to handle this burden, leading to additional outsourcing costs and time-consuming administrative work.

Once Maryland establishes a B2B service tax, there is no guarantee it will remain at 2.5% or limited to the currently targeted services. Future budget shortfalls could lead to higher rates and additional taxed services, including critical areas like real estate, engineering, and construction administration, further compounding the financial burden on our industry.

Rather than imposing new taxes that stifle economic growth, Maryland should focus on policies that support business development and attract investment. The engineering and architecture design communities play a key role in shaping Maryland's future. We need policies that foster innovation, sustainability, and job creation, not ones that penalize the very services that drive economic progress.

We urge you and the General Assembly to carefully consider the damaging effects of SB 1045 and reject this bill in favor of pro-growth policies that support Maryland's businesses, built environment, and economy.

Sincerely,

Matthew R. Smith

Matthew R. Smith, P.E.
President
Andrew W. Booth & Associates, Inc.

Written Testimony Opposing SB 1045.pdf
Uploaded by: Liz League
Position: UNF

Greater Severna Park and Arnold
Chamber of Commerce

1 Holly Avenue, Severna Park, Maryland 21146 410-647-3900 info@gspacc.com

Senate Bill 1045
March 10, 2025 Committee
Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

My name is Liz League, and I am the CEO of the Greater Severna Park and Arnold Chamber of Commerce. I have been the CEO for eight years and have grown to know a vast number of small business owners, celebrating their successes and helping them through difficulties.

Many are still recovering from the devastating loss of revenue from the pandemic, and many did not survive, resulting in a loss of jobs, taxable revenue, and economic security in our communities.

On behalf of my members, which number over six hundred strong, I can say confidently that they strongly oppose SB 1045, which will expand Maryland's sales and use tax to essential business-to-business (B2B) services, creating a 2.5% tax on services that they rely on regularly.

Small business. already operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions.

This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, cutting investments in growth, or closing down all together, a sentiment that I have heard from a few of our members!

Maryland is already stagnant in growth and is ranked 45th in overall business tax climate according to the Tax Foundation's State Business Tax Climate Index. These continuous taxes will drive the businesses out of the state to seek alternatives. For my members located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Greater Severna Park and Arnold Chamber of Commerce

1 Holly Avenue, Severna Park, Maryland 21146 410-647-3900 info@gspacc.com

In addition, this tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses.

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

We also anticipate that this tax is just the beginning and will be applied to other essential business services like legal services, real estate services, or healthcare. My members and I testified against the bill last year that would tax B2B and B2C services, and we know that the "seeds are planted" for the tax base to be expanded.

We regularly hear the Governor and legislators proclaim how valuable our small businesses are to the state, yet Maryland is one of the top states in business unfriendliness with high taxes, fees and operational requirements that drive businesses out and prohibit others from opening. The fact that this legislation dropped two-thirds of the way through the session with no warning shows a profound adversarial stance to our small businesses, and they are well aware. In the words of one of my accounting firm members, "I am already taxed to death by MD, and I will fight this tooth and nail."

Why not solve the budget crisis by lifting restrictions and tax burdens on our small businesses, creating an environment for them to thrive. Lowering the tax burden on small businesses encourages reinvestment into the economy, stimulating job creation, innovation, and overall economic stability.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Liz League, CEO
Greater Severna Park and Arnold Chamber of Commerce

RJR-(MTC) HB1554.SB1045 Taxable Services (OPPOSE)(
Uploaded by: Logan Freeman
Position: UNF

MARYLAND TURFGRASS COUNCIL

Delegate Vanessa E. Atterbeary, Chair
Delegate Jheanelle K. Wilkins, Vice-Chair
House Ways & Means Committee
House Office Building, Room 131
Annapolis, Maryland 21401

Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice-Chair
Senate Budget & Taxation Committee
Miller Senate Office Building, 3W
Annapolis, Maryland 21401

Re: ***House Bill 1554/ Senate Bill 1045: Sales and Use Tax - Taxable Business Services – Alterations – OPPOSED***

March 10, 2025

Dear Committee Chairs and Committee Members:

On behalf of the Maryland Turfgrass Council (MTC), we write this letter in strong opposition to House Bill 1554/ Senate Bill 1045: *Sales and Use Tax – Taxable Business Services – Alterations.*

The Maryland Turfgrass Council (MTC) is a non-profit organization that represents all areas of the turf industry including golf, sports turf, sod producers, landscape, lawncare and commercial vendors and suppliers.

Similar to the legislation introduced in 2020 and last year, this legislation intends to alter the definitions of "taxable price" and expand the definitions of a "taxable service" for the purposes of imposing Maryland's sales and use tax on numerous Maryland industries and services if both the provider of the service and the buyer are business entities. As written, HB 1554/ SB1045 would mandate a 2.5% tax on landscape and non-residential building and property maintenance services.

MTC strongly opposes the passage of HB 1554/SB1045. Adding a 2.5% tax to services that include landscapers will have a negative impact on many small businesses that are already struggling to keep up with large corporations. Not all expenses can be passed on to consumers directly since the small businesses use the services themselves. This will affect the budget in many different directions, but the bottom line is the cost of business is going up in this State.

Local, small businesses will be impacted as they will have to charge their clients extra for the same amount of work, which will lead to many potential customers going elsewhere for the same work as they will be able to get it done cheaper. For lawn care and grounds maintenance companies, we provide contractual services that many businesses rely on because they can't maintain their properties on their own. The passage of this new tax will be regressive onto our industries and to many Maryland businesses using our services across the State.

MTC is fully aware of the State's fiscal woes and the spending mandates legislatively enacted over the years. These mandates obligate the State to provide adequate investments, over time, to various (but important) initiatives that benefit the State and its citizens – most notably, the investments in our public education systems.

Approved by the State Legislature in 2020, the *Blueprint* promised an investment of **$40 billion** over the next 10 years (FY2030) - equivalent to nearly $4 billion in annual mandated spending. State taxpayers are responsible for nearly $2.8 billion (70%) of the costs. The remaining balance will fall on the locals - Baltimore City and the counties (all 23) are responsible $1.2 billion (30%).

Altering the Sales & Use Tax Revenues - Blueprint for Maryland:

Blueprint for Maryland's Future Fund (BMFF) Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to the BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

The Maryland Legislature has also made several controversial tax increases on Maryland's taxpayers and businesses to generate new revenue sources in the name of investing in education, public safety, and transportation.

Digital Ad Tax:

In 2021, the Maryland General Assembly passed the ***digital ad tax*** that imposes a tiered tax on internet ad revenue in Maryland.

Under the law, companies reporting $100 million of gross global annual revenue are subject to a 2.5% levy. The tax increases in increments of 2.5% to a maximum rate of 10% levied against companies reporting more than $15 billion in gross global revenue.

According to legislative analysts, the state could collect as much as **$250 million, annually**. These funds are earmarked for the Blueprint for Maryland's Future education program.

Gaming/ Casino Revenues:

Since the establishment of Maryland's six (6) casinos nearly 15 years ago, a significant portion of those revenues have been dedicated to supporting the State's public education system. According to the data on Maryland's Lottery and Gaming website (and reports), the Maryland Education Trust Fund has received a total of **$6.2 billion** (*casino gaming revenue from 2010 through February 2025*). In FY24, gaming revenue totaled $1.9 billion in Maryland – **$600,701,931.00 (or 30.5%) was distributed to the Maryland Education Trust Fund.**

Digital Products and Services Tax:

Effective March 15, 2021, Maryland joined the list of about 30 state-level jurisdictions that passed the **digital products and services tax**. Initially passed by the Maryland legislature in 2020 as *House Bill 932*, the law was vetoed but immediately overridden by the Maryland Legislature. Since then, Maryland's 6% sales and use tax has been applied to tangible personal property, digital products, or a taxable service; this includes things like ring tones, satellite radio, streaming services, software subscriptions, and more. This tax applies regardless of whether the subscription is billed monthly, annually, or as a one-time purchase.

Additional Fee Increases Passed Last Year:

In the waning days of the 2024 legislative session, the General Assembly successfully voted for the budget, along with the Budget Reconciliation and Financing (BRFA) Act – as a companion reconciliation measure that is working in tandem to balance the budget.

As part of their compromise, lawmakers added some transportation-related fees that will raise about **$252 million** during the budget year. The budget included a new statewide fee of 75 cents per trip which will apply to ride-hailing services. In addition, vehicle registration fees increase, and a $23 dollar surcharge will help pay for rising costs of the state's emergency trauma system. A $62.50 surcharge on zero-emission electric vehicles to help make up for gas tax revenues that their owners don't pay, and there will be a $50 surcharge on plug-in electric vehicles.

Taxes on tobacco and products also increased, including an additional $1.25 on a pack of cigarettes. Budget analysts estimated that it will help generate about **$91 million** for K-12 education, though that is believed to drop off due to a projected decline in tobacco use.

These are just some of the notable taxes imposed onto Marylanders in recent years by this Legislature. We caution the Maryland General Assembly to consider passing HB1554/SB1045 or any other legislative measure that will impose more draconian burdens on Maryland businesses to compensate the State's inability to exercise better fiscal prudency. At some point, the State will need to find alternative methods to support these legislative mandates and investments, because the expected revenues to sustain them by businesses and industries will have either closed or migrated to other states.

Recently, the Chairman of the House Appropriations Committee said that high income earners, businesses and corporations should and are going to pay their fair share in the state. We contend that we already are.

For these reasons, MTC opposes House Bill 1554/ Senate Bill 1045 and respectfully requests this committee to give this bill an UNFAVORABLE report.

Sincerely,

Brandon Sands

Brandon Sands, *President*
Maryland Turfgrass Council (MTC)

Please oppose SB 1045.pdf
Uploaded by: Lorraine Jaffe
Position: UNF

Please oppose SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations.

This bill will cause businesses in Maryland to be disadvantaged when competing with businesses in Virginia, Delaware, and Pennsylvania as these states will not be burdened with the same costs. Maryland businesses are already burdened with numerous regulations and costs. Please do not make our business climate worse than it already is.

Thank you,

Lorraine Jaffe

Bethesda, MD

SB1045 - Oppose - Maryland Motor Truck Association
Uploaded by: Louis Campion
Position: UNF

Maryland Motor Truck Association

HEARING DATE: March 12, 2025

BILL NO/TITLE: SB1045 - Sales and Use Tax - Taxable Business Services - Alterations

COMMITTEE: Budget & Taxation

POSITION: **Oppose**

Maryland Motor Truck Association (MMTA) urges an unfavorable report on Senate Bill 1045, which would add a new sales tax on a variety of business-to-business services including "heavy truck or bus repair service described under NAICS sector 8111."

MMTA understands the need to generate additional revenues to compensate for the state's General Fund shortfalls. The broad-based services included in this legislation such as accounting, printing, payroll, information technology and others will be paid by businesses across virtually all industry sectors, including trucking; however, the specific inclusion of "heavy truck or bus repair" is piling on a vital industry because we are being singled out for this new tax on top of the other broader taxes included.

Adding a sales tax on labor for truck repair ignores who will be the primary businesses harmed – small, local trucking companies. 96% of trucking companies operate 10 trucks or fewer. These are the businesses that do not have their own maintenance shops or mechanics on staff. They are sending their repair work to truck dealers or independent repair stations; whereby larger trucking companies frequently perform this work in-house.

The inclusion of a sales tax directly on truck repair also feels coercive because, under both Federal and Maryland law, trucks are required to go through a periodic preventive maintenance, inspection and repair program to ensure safety. Maryland's Preventive Maintenance Program requires that commercial motor vehicles be inspected annually or every 25,000 to 35,000 miles, whichever comes first. This can mean as many as 4 to 5 inspections per year for some trucks. The industry is also subject to one of the most substantial roadside inspection enforcement programs in the country, as Maryland is fourth in roadside inspections performed by law enforcement each year, behind only California, Texas and New York. Defects documented by law enforcement must be repaired to ensure the continued safe of operation of the vehicle.

Adding a sales tax on repair services also raises numerous concerns as this will drive up costs not only for routine maintenance, but also on post-accident work that is frequently covered by a motor carrier's insurance policy. Inevitably insurance premiums will rise because of the new sales tax on vehicle repairs.

Finally, according to the American Transportation Research Institute, as of January 2025, a typical five-axle tractor-trailer combination paid highway user fees and taxes of $9,316 to the state of Maryland **over and above the typical taxes paid by other businesses and industries in the state.** Trucking is a non-discretionary user of the highways, delivering 96% of the manufactured goods in the state. Trucks are the hub of the state's distribution wheel as they support the manufacturing, agricultural, and retail industries. A tax on local Maryland trucking equates to a tax on all citizens and businesses that rely on our industry to deliver the products they need. Companies will have no choice but to pass these cost increases on to the 93% of Maryland communities that rely exclusively on trucks for their food, clothing, medical supplies, and other essential goods.

For the reasons noted above, Maryland Motor Truck Association asks for an unfavorable report.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association that has represented the trucking industry since 1935. In service to its 1000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-5663

Written testimony.pdf
Uploaded by: Luciana Moreno-Garcia
Position: UNF

Senate Bill 1045
Chair Guy Guzzone
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Legislators:

I am writing to strongly **OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations.** As the **Agency Director of HomeCentris Personal Home Care**, I oversee the provision of essential home care services to elderly and vulnerable residents throughout Maryland. Our agency is a **Medicaid provider**, dedicated to ensuring that individuals in need receive compassionate and reliable care in the comfort of their homes.

Implementing a sales tax on business services, as proposed in this bill, would **significantly impact our ability to operate efficiently** and continue delivering high-quality care. Increased operational costs would ultimately **limit our capacity to serve those who rely on our care the most**, including low-income and underserved individuals. Furthermore, it would place an additional financial burden on small businesses like ours, threatening the stability of our services.

We are committed to **supporting Maryland's most vulnerable populations** and maintaining a sustainable care model. However, this bill could force us to **reduce services, limit employment opportunities, or pass higher costs to consumers** — all of which would negatively impact the very people we strive to protect.

I urge you to consider the **long-term consequences** of this bill and **vote against it** to ensure that Maryland's elderly and vulnerable communities continue receiving the care and support they deserve.

Thank you for your time and consideration.

Luciana Moreno-Garcia
Client Relations Specialist - Montgomery County

HomeCentris Personal Home Care, LLC
953 Russell Avenue Suite D
Gaithersburg MD 20879
Office:240-246-7078 ext. 430
Fax: 240-246-7489

MDCID 2025 Testimony - Senate Bill 1045 - Letter o
Uploaded by: Mandy Gitt
Position: UNF

Maryland Coalition of Interior Designers (MDCID)

Date: Wednesday, March 12, 2025
Committee: Senate Budget & Taxation Committee
The Honorable Senator Guy Guzzone, Chair
Bill: Senate Bill 1045 – Sales and Use Tax – Taxable Business Services – Alterations
Position: **Oppose - Letter of Concern**

The Maryland Coalition of Interior Designers (MDCID) is an educational, legislative, and public policy coalition that represents interior designers. Certified Interior Designers are a vital part of the design team and we work collaboratively with the other regulated design professionals: including architects, engineers, landscape architects, and surveyors.

Senate Bill 1045 as drafted *"Alters the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifies the rate of the sales and use tax for certain labor and services."*

We are concerned with the approach taken in this bill to apply a business-to-business sale tax. While Interior Design is not explicitly included in the bill (NAICS Sector 541410), we do note the inclusion of our design colleagues who work in photography (NAICS Sector 541420), graphic design (NAICS Sector 541430) and the textile design and lighting design (NAICS Sector 541490) industry. **The services being targeted in the bill may be viewed as luxury or complementary, but rather they are necessary for life, safety and wellness.**

For at-risk Americans at home and for public building owners, proper design is not a luxury, it is a necessity. Safety, in well-trafficked and highly regulated, public buildings, is not optional. The materials and lighting used serve to ensure, enhance, and augment safety, durability, and functionality. In residential buildings, interior designers design for the blind, disabled, infirm, and aged ensuring safe use, accessibility, and proper wayfinding.

Burdening designers when providing these necessary services and burdening consumers when obtaining them will only harm our nation's public interior environments and all built infrastructure. In fact, Maryland is in the midst of an affordable housing crisis. Policies such as this will exacerbate the shortage by driving up costs to be borne by small businesses and ultimately consumers.

Many interior design firms in Maryland are small businesses. Service taxes place small businesses at a competitive disadvantage and disproportionately harm small, female, and minority owned businesses. Placing additional accounting requirements on small businesses increases their overhead expenses. Some small firms with already tight profit margins might be forced out of business.

For the reasons stated above we respectfully ask that the long-term costs to these sales tax measures be considered and ask for an unfavorable report on this bill.

For additional information please contact mdcidinfo@gmail.com

Senate Bill 1045 - OPPOSED.pdf
Uploaded by: Mandy Sleight
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local woman-owned small business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs. This is a known and ongoing theme in Maryland, where the same dollar that we work very hard for is taxed multiple times.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. This tax will create a strong incentive to seek service providers across state lines, reducing tax dollars in Maryland and defeating the purpose of this tax in the first place.

I HAVE BEEN A MARYLANDER MY ENTIRE LIFE, BUT AM LOOKING AT HOMES IN OTHER STATES THAT ARE MUCH MORE TAX-FRIENDLY TO MOVE MY FAMILY AND SMALL BUSINESS TO BECAUSE THE TAX SITUATION IS BECOMING UNTENABLE HERE.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Mandy Sleight

Small Business Owner

1022 Shoreland Drive Glen Burnie MD 21060

mandy.w.sleight@gmail.com

ProShares SB 1045.pdf
Uploaded by: Mara Shreck
Position: UNF

ProShares

ProShare Advisors LLC
7272 Wisconsin Avenue, 21st Floor
Bethesda, MD 20814-4802

240.497.6400
ProShares.com

March 10, 2025

Delegate Vanessa Atterbeary, *Chair*
Delegate Jheanelle Wilkins, *Vice Chair*
Ways and Means Committee
House Office Building, Room 130, Annapolis, MD

Senator Guy Guzzone, *Chair*
Senator Jim Rosapepe, *Vice Chair*
Budget and Taxation Committee
West Miller Senate Building, Room 3, Annapolis, MD

Re: SB 1045 & HB 1554: Sales Tax on Additional Services

Dear Chairman Atterbeary, Chairman Guzzone, Vice Chair Wilkins, and Vice Chair Rosapepe:

ProShare Advisors LLC and its affiliated entities ("ProShares") strongly oppose SB 1045 and HB 1554, which expands the sales tax on services to additional services, for the reasons set forth in more detail in the submission of the Investment Company Institute, dated March 10, 2025.

ProShares is an SEC-registered investment adviser based in Bethesda, MD. It currently employs approximately 120 people in Maryland, and manages over $80 billion in a wide range of mutual funds and exchange-traded funds. As the ICI letter explains, the proposed legislation would expand the definition of taxable services to include many financial services,[1] including investment advice and asset management services, among other services. We oppose these changes on three grounds:

- First, sales tax should not be applied to or incurred by shareholders and other investors saving for important financial goals.
- Second, asset managers in Maryland should not be placed at a competitive disadvantage to out-of-state competitors.
- Third, applying sales tax to asset management services would be extraordinarily difficult (if not impossible) to implement and administer efficiently and fairly.

ProShares appreciates your consideration of our concerns. Please do not hesitate to contact me at mshreck@proshares.com or (240) 497-6543 if you have any questions regarding this submission or would like any additional information.

Very Truly Yours,

/s/ Mara L. Shreck

Mara L. Shreck
Head of Corporate Affairs

[1] As defined by reference to NAICs code 5239 (Other financial investment activities). https://www.naics.com/naics-code-description/?v=2017&code=5239.

sb1045test - Sales and Use Tax - Taxable Business

Uploaded by: Marcus Jackson

Position: UNF

Associated Builders and Contractors, Inc.
Maryland Joint Legislative Committee

The Voice of Merit Construction

Mike Henderson
President
Greater Baltimore Chapter
mhenderson@abcbaltimore.org

Chris Garvey
President & CEO
Chesapeake Shores Chapter
cgarvey@abc-chesapeake.org

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(T) (301) 595-9711
(F) (301) 595-9718

MARCH 12, 2025

TO: BUDGET AND TAXATION COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTORS

RE: S.B. 1045 – SALES AND USE TAX – TAXABLE BUSINESS SERVICES - ALTERATIONS

POSITION: OPPOSE

The Associated Builders and Contractors (ABC) opposes S.B. 1045 which is before you today for consideration. This bill proposes significant alterations to the Maryland sales and use tax, particularly as it pertains to the construction industry.

This bill, which seeks to expand the definition of "taxable service" to include a wide range of business services, including those integral to construction activities, will impose a substantial and detrimental burden on our industry and the Maryland economy.

Specifically, we are deeply concerned about the following aspects of S.B. 1045:

- Increased costs and economic impact;
- complexity and administrative burden;
- impact on small construction businesses and;
- tax on labor.

The imposition of sales tax on labor and services, as outlined in the bill, will significantly increase the cost of construction projects. This added expense will be passed on to consumers, businesses, and government entities, potentially stifling development and investment in Maryland.

This increased cost will make Maryland less competitive compared to neighboring states that do not impose such taxes on construction services.

S.B.1045 reliance on the North American Industry Classification System (NAICS) codes to define taxable services will create significant confusion and administrative burdens for construction businesses.

Determining which services fall under the expanded definition of "taxable service" will require extensive record-keeping and compliance efforts, adding to the already complex regulatory environment in the construction sector.

Small construction businesses, which form a significant portion of the industry, will be disproportionately affected by the increased compliance costs and tax burden. These businesses often operate on thin margins and may struggle to absorb the additional expenses, potentially leading to job losses and business closures.

The taxing of labor is a very concerning precedent, and will drastically affect the cost of construction, and home ownership in Maryland.

The construction industry plays a vital role in Maryland's economy, contributing to job creation, infrastructure development, and overall economic growth. S.B. 1045 threatens to undermine these contributions by imposing a costly and burdensome tax on essential construction services.

On behalf of the over 1,500 ABC members in Maryland, we urge this committee to reject S.B. 1045 and consider the negative consequences it will have on the construction industry and the state's economy.

Marcus Jackson, Director of
Government Affairs

We Build Maryland
A Conversation Between
Elected Officials, Contractors & Their Employees

[MD] HB 1554 SB 1045_Tax_TechNet.pdf

Uploaded by: margaret durkin

Position: UNF

TECHNET
THE VOICE OF THE INNOVATION ECONOMY

TechNet Mid-Atlantic | Telephone 717.585.8622
www.technet.org | @TechNetMidAtla1

March 10, 2025

The Honorable Vanessa Atterbeary Chair House Ways and Means Committee 130 Taylor House Office Building 6 Bladen Street, Annapolis, MD 21401	The Honorable Guy Guzzone Chair Senate Budget and Taxation Cmte. 3 West Miller Senate Office Building 11 Bladen Street, Annapolis, MD 21401

RE: HB 1554 (Moon) / SB 1045 (Hettleman) - Sales and Use Tax - Taxable Business Services – Alterations – Unfavorable

Dear Chair Atterbeary, Chair Guzzone, and Members of the Committee,

On behalf of TechNet, I'm writing to share our concerns on HB 1554 and SB 1045.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, Tallahassee, and Washington, D.C.

TechNet works to ensure that tax structures create a level-playing field for all product and service providers, both technology players as well as others, and do not disadvantage a specific subsector. We are opposed to HB 1554 and SB 1045 for several reasons.

Generally speaking, business-to-business taxes negatively impact businesses and consumers in the state as they increase the overall costs of doing business. Ultimately, the proposed tax provisions in these bills will put Maryland at a competitive disadvantage compared to other states and have the potential to ultimately raise costs for Maryland consumers. We are especially concerned about the following tax provisions proposed in these bills:

- A data or IT service described under NAICS Sector, 518, 519, 5415.
    - 518 is "Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services"

- 519 is web Search Portals, Libraries, Archives, and Other Information Services
- 5415 is Computer Systems Design and Related Services
- A system software of application software publishing service described under NAICS Sector 5415.
  - 5415 is Computer Systems Design and Related Services

These proposals cause services to be taxed multiple times along the production process and will only drive up costs of doing business in the state. TechNet is vigilant against vague, overbroad, unnecessary, harmful, or hostile laws and regulations that stifle innovation. As such, we are opposed to the provisions in HB 1554 and SB 1045. Thank you for your consideration of our concerns and please let me know if you have any questions.

Sincerely,

Margaret Durkin

Margaret Durkin
TechNet Executive Director, Pennsylvania & the Mid-Atlantic

MLTA SB1045 testimony (unfavorable).pdf
Uploaded by: Mark Glazer
Position: UNF

MLTA Maryland Land Title Association

1783 Forest Drive, Suite 305, Annapolis, MD 21401 | (443) 620-4408 ph. | (443) 458-9437 fax

To: Members of the Senate Budget & Taxation Committee

From: MLTA Legislative Committee

Date: March 10, 2025 [Hearing date: March 12, 2025]

Subject: **SB 1045** – Sales and Use Tax – Taxable Business Services - Alterations

Position: **Unfavorable**

The Maryland Land Title Association (MLTA) is a professional organization working on behalf of title industry service providers and consumers and is comprised of agents, abstractors, attorneys, and underwriters. **MLTA is opposed to Senate Bill 1045 – Sales and Use Tax – Taxable Business Services - Alterations**.

Initially, we note that "business entity" is an undefined term in the statute, so it is unclear exactly to whom these taxes may apply. For example, will non-profits such as this organization be required to pay sales tax on the business services it uses? In Maryland, legislative ambiguity can lead to legal challenges, particularly when statutes lack clear definitions or specific applications. Courts may interpret such ambiguity as a violation of due process, as individuals and entities must have adequate notice of what the law requires or prohibits. If a law is deemed unconstitutionally vague, it can be invalidated or its enforcement limited.

The outcome of the imposition of a tax such as this is that Maryland's real estate closing costs, already among the highest in the nation, will rise, even for individual consumers. A real estate closing involves multiple parties providing numerous distinct services. The settlement agent, which is rarely a sole proprietor, and thus, would presumably be a "business entity" under the statute, obtains services from abstractors, surveyors, inspectors and others for the purpose of closing the transaction. Seemingly, these services are subject to the taxes contemplated by HB 1554/SB 1045, even when the purchaser of the real property in question is an individual consumer. As such, the 2.5% tax on these services will be passed along to the consumer, further increasing the cost of housing in the State.

Maryland is already viewed as having an unfriendly business environment. Increasing the costs of doing business in the State by imposing taxes on the services businesses use, such as legal services, accounting, advertising, etc. will only harden that view. And taxes such as these are not imposed in our adjoining states of Pennsylvania, Delaware, Virginia, West Virginia and the District of Columbia.

With digitized land records, settlement software available through the cloud, the wiring of funds and remote online notarization, a settlement transaction does not have to physically take place in Maryland even if the sellers and buyers never leave the State. Title insurance producers, abstractors, surveyors, and others located in states other than Maryland will not be subject to this tax, encouraging both residential and commercial customers to use out-of-state providers. This means that Maryland may not only lose the 2.5% tax, but the resulting income tax revenue currently generated by the in-state title industry.

Most real estate closings involve the purchase of Title Insurance. It is not at all clear whether these taxes would be extended to Title Insurance, which is already subject to a premium tax. Double taxation of title insurance premiums would likely cause insurers to flee the Maryland market as the sale of such insurance would not longer be profitable. In the best case, title insurance premiums would be raised to cover the additional taxation, once again, negatively impacting the Maryland consumer.

For the forgoing reasons, MLTA asks for an unfavorable report on SB 1045.

Senate Bill 1045 from BME Systems Inc.pdf
Uploaded by: Mark Longerbeam
Position: UNF

Systems Inc

Engineering Services for Biomedical Research

March 10, 2025

Senate Budget and Taxation Committee
Position: Opposed

Subject: Opposition to Senate Bill 1045 – A Harmful Burden on Small Businesses

Dear Chair Guzzone and Members of the Committee,

I am writing to express my strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. For small businesses like mine, this additional 2.5% tax is not just another expense—it is an economic and operational burden that could mean the difference between success and failure.

Small businesses already face significant challenges in securing and serving business clients. Margins are tight, and the ability to compete depends on keeping costs manageable. This new tax would directly raise expenses for essential services like accounting, IT support, and consulting—services that small businesses must rely on because they lack in-house resources. Unlike large corporations that can absorb or internalize these costs, small businesses would be forced to either raise prices, cut staff, or reduce investment in growth—all of which weaken Maryland's economy.

Beyond the financial impact, this bill imposes a serious productivity cost. Tracking, collecting, and remitting a new tax requires administrative time and expertise that small businesses with only a few employees simply do not have to spare. Every hour spent on compliance is an hour lost on serving customers, improving products, and growing the business. This kind of government-imposed friction disproportionately harms small enterprises, making it harder for them to compete, survive, and thrive.

Most importantly, this tax comes at a particularly bad time. Over the past five years, small businesses have been hit hard by rising costs across the board—property taxes, business insurance, vehicle insurance, and other essential expenses have all surged. Adding another financial and administrative burden now is not just ill-timed; it is economically damaging to the very businesses that sustain Maryland's economy.

3300 Hudson Street
Baltimore, MD 21224

www.bmesystems.com

Instead of imposing additional taxes and regulatory burdens, Maryland should be supporting small businesses by fostering an environment that encourages entrepreneurship and economic growth. I urge you and the members of the Senate Budget and Taxation Committee to reject SB 1045 and consider policies that help, rather than hinder, Maryland's small businesses.

Sincerely,

Mark B. Longerbeam

President

SB 1045 Testimony 03.12.25.pdf
Uploaded by: Mark Schlossberg
Position: UNF

M.A.G.I.

Maryland Association of Green Industries, Inc.

March 12, 2025

Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Ref: SB 1045 -Sales and Use Tax - Taxable Business Services – Alterations – **Unfavorable Report**

Chairman Guzzone, Vice Chairman Rosapepe and Members of the Committee,

I am President of the Maryland Association of Green Industries, Inc. (MAGI). Our members mostly include lawn care companies, golf course superintendents and pest control companies/exterminators. Most of our members provide services to residential and business customers in Maryland.

We are strongly opposed to any additional tax burdens that affect businesses in Maryland, especially small businesses line many of our members have. We understand that the State is in a very difficult financial situation right now but many of our members are having a tough time because of inflation and the economy in general. Given the current situation in Washington, many customers or potential customers are hesitant to spend money. This tax just adds to our costs and theirs to do business in the state.

In addition to the 2.5% we would have to charge our business clients, we would have to pay the 2.5% more for most of the services we use now like IT, accounting, advertising agencies, lawyers just to name a few. We have seen legislators on television interviews saying that this will mainly affect big business. However, big businesses have the resources to implement things like this easily. It is the small businesses that have the undue burden to accommodate the requirements of SB 1045.

Most of our Industry members are not set up to charge sales tax for our services. Asking these companies, especially the small companies to get their computer systems set up to charge sales tax with a July 1st implementation date is unreasonable. Also, many of our clients prepay in January or February for services to be done later in the year. Are we to go back and charge them just the 2.5% when we complete the services they already paid for?

Maryland already has a reputation for being a high-tax state that is unfriendly to business. Whether that is true or not, that is the perception. Adding B-to-B services tax will add to that perceived reputation.

We respectfully ask the Committee for an **unfavorable report on SB1045**.

Thank you.

Mark Schlossberg, President
M.A.G.I

1406 Shoemaker Road, Baltimore, MD 21209 * 410-825-8873

AUTUMN LAKE
HEALTHCARE

March 10, 2025

Chair Vanessa E. Atterbeary House Ways and Means Committee 130 Taylor House Office Building Annapolis, Maryland 21401	Chair Guy Guzzone Senate Budget & Taxation Committee 3 West Miller Senate Office Building Annapolis, Maryland 21401

Subject: Concern Regarding Proposed Regulation and Its Impact on Nursing Facilities

Dear Legislators

I am writing to **OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations**. As the Chief Operating Officer for Autumn Lake Healthcare's network of skilled nursing facilities, many of which are in Maryland, I am deeply concerned about the devastating financial impact this bill will have on the nursing home industry.

I have direct experience with the financial and operational challenges currently straining the long-term care industry. While I support efforts to improve care standards, this proposed regulation would impose an unsustainable financial burden on facilities, jeopardizing access to quality care for residents who rely on us. The added tax on business services would further escalate the already overwhelming operating costs of nursing homes at a time when nursing homes are grappling with soaring staffing expenses, inflation, and growing regulatory mandates.

This will inevitably lead to higher costs for residents, increased dependence on Medicaid and Medicare, and reduced access to care for those most in need, and many nursing homes will be unable to continue operating, leaving Maryland's most vulnerable populations with fewer care options.

With the long-term care industry already struggling to stay afloat, adding additional tax burdens will only exacerbate the crisis. I urge you to reject this legislation and prioritize solutions that support, rather than hinder, essential healthcare providers and access to quality care.

Sincerely,

/s Mark Schwartz
Mark Schwartz
Chief Operating Officer
mschwartz@autumnhc.net

SB1045 - MTC Testimony.pdf
Uploaded by: Matt Libber
Position: UNF

MARYLAND TOURISM COALITION

March 10, 2025

The Honorable Guy Guzzone, Chair
Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Opposition of HB1554 - Sales and Use Tax - Taxable Business Services - Alterations

Chairman Guzzone and Members of the Committee,

My name is Matt Libber, and I am the Legislative Committee Chair for the Maryland Tourism Coalition (MTC). I am writing to you today to express MTC's opposition to Senate Bill 1045. The Maryland Tourism Coalition is a trade organization with members representing all areas of tourism in the State of Maryland. Our mission is to support businesses and organizations that cater to the tourism industry through education, networking, and advocacy. We are deeply concerned about the harmful impact this bill would have on small businesses, entrepreneurs, and the overall economic competitiveness of our state

The majority of tourism business in Maryland are small businesses. Small businesses are the backbone of Maryland's economy, providing jobs, fostering innovation, and contributing to local communities. Imposing a sales tax on services would disproportionately burden these businesses, many of which operate on thin margins. Unlike larger corporations, small businesses often cannot absorb additional costs and would be forced to either pass these expenses on to consumers, making their services less affordable or cut jobs and stifling investment growth.

Additionally, this tax would drive businesses and skilled professionals out of Maryland in search of more favorable economic conditions. Service providers, such as consultants, accountants, IT specialists, and many others, may relocate their businesses to neighboring states with more competitive tax structures, leading to job losses and reduced revenue for Maryland in the long run.

Rather than introducing new tax burdens, I urge you and your colleagues to explore alternative solutions that support small businesses, encourage entrepreneurship, and sustain economic growth. Maryland should be a place where businesses thrive, not one that pushes them away with excessive taxation.

I respectfully ask you to oppose this bill and advocate for policies that promote a fair and competitive business environment in Maryland. We ask that the Committee provide an unfavorable report for this bill.

Respectfully submitted,

Matt Libber
Legislative Chair
Maryland Tourism Coalition

SB 1045 Testimony.pdf
Uploaded by: Matthew Auman
Position: UNF

Testimony in Opposition to SB1045

Maryland State Senate Hearing

Good afternoon, Chairman Guzzone and members of the committee. My name is Matt Auman, and I am the CEO of HomeCentris Healthcare, one of Maryland's largest providers of home care services to Medicaid recipients. I am here today to strongly oppose SB1045. This bill would increase the tax burden on the state's vulnerable home care agencies by taxing certain professional fees that are required of us such as accounting fees, tax preparation fees, and payroll services. These increases will ultimately impact those providers that are critical to the care of Maryland's most vulnerable residents—our seniors and individuals with disabilities who rely on home care services through Maryland Medicaid.

I understand that Maryland has a budget issue and that 2.5% does not sound like much, but as you know, Medicaid home care providers operate on fixed reimbursement rates set by the state. These rates are already insufficient to care for Maryland's seniors, and if this sales tax expansion is approved, Medicaid home care agencies do not have the ability to simply pass along these new costs to consumers, as private businesses might. Instead, any additional tax burden imposed by SB1045 will have to be absorbed directly by these agencies, many of which are already struggling to keep up with rising labor costs and inflation.

Maryland's home care providers are the backbone of our long-term care system, ensuring that thousands of seniors and individuals with disabilities can remain in their homes rather than being forced into institutional care, which is not only more expensive to the state taxpayers but also often less desirable for patients. By increasing the tax burden on these agencies, SB1045 threatens the very viability of home care businesses, leading to potential service reductions, workforce cuts, and even closures.

We should be looking for ways to strengthen access to home care, not weaken it. I urge you to consider the unintended consequences of this bill and vote NO on SB1045 to protect Maryland's home care industry and the vulnerable individuals it serves.

Thank you for your time.

VoshellsPharmacyOppositionTestimonytoSB1045.pdf
Uploaded by: Matthew Liptak
Position: UNF

Voshell's
COMPOUNDING PHARMACY
SINCE 1927

410-644-8400
compound@voshellspharmacy.com
3455 Wilkens Ave, Ste 103,
Baltimore, MD 21229

To :

Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Senators, We trust this testimony finds you having a fruitful legislative session! We are writing to express our sincere concern regarding Senate Bill 1045. Voshell's Pharmacy has had the happy legacy of serving Maryland's public with high quality, safe and effective pharmaceuticals for almost one hundred years. As a family operation, we now have recently expanded to serve patients as far west as Frederick, Maryland, and as far east as Reheboth, Delaware.

We would like to take this opportunity to provide further details about our opposition to SB 1045. As a small business Voshell's Pharmacy contracts for many business-to-business services. To name just two, we keep our systems up and running smoothly with hardworking IT contractors, and even our delivery vehicle maintenance is done by reputable auto care providers. Almost inevitably, the new service tax will hurt our bottom line. We don't want to pass the expense of a tax on to our Maryland customers.

Voshell's is succeeding today, and has succeeded since 1927, because we put people first, even more than profit. Caring is in our chemistry as we like to say.

Much of our customer base here in South Baltimore is made up of recent immigrants--Vietnamese, Korean, Latin and more. It can be hard enough for them to buy breakfast eggs, much less getting service from a small business sector burdened with a new tax. We trust you will put your good judgement, and talent for innovation to find a wiser course forward than SB 1045.

Please put politics to work for Maryland entrepreneurs, so we can continue to grow and look forward to a bright future for small business!

Warm Regards,

Trieu and Thuy Cato

Trieu and Thuy Cato, Owners, Voshell's Pharmacy

hb1554-sb1045 opposition.pdf
Uploaded by: Matthew Milby
Position: UNF

Matthew Milby

HB1554/SB1045 – Opposed

3/10/2025

Good Afternoon members of the committee,

My name is Matthew Milby and I am a small business owner in Maryland. With all the tax increases coming to MD this year and another on small businesses I have to stand strongly opposed to this bill.

My family (consisting of My wife, 3 children and myself) are currently looking for a friendlier business environment in another state that doesn't have the tax burden that Maryland does. We haven't made the decision to move yet but we are looking. We own a small business, 2 houses(which we will sell) and we have 3 kids in public schools. The more taxes are raised the more we are looking to relocate our family out of state.

Instead of consistently taxing the people of Maryland I would love to see the MD legislative body find cuts that makes MD more business and tax friendly to entice people to want to move to MD. In this climate its getting harder and harder just to survive in this business hostile environment we have created in MD and I want to express my strong opposition to this bill and further tax increases. Enough is enough. There is something to be said about financial management and making do with what you have instead of constantly taxing citizens to make up for Maryland's self-induced deficit.

Thank you,

Matthew Milby

Maureen Wambui - Testimony in Opposition to SB1045
Uploaded by: Maureen Wambui
Position: UNF

Maureen Wambui

7827 Rolling View Ave, Nottingham, MD, 21236

Maureen.w.m.2030@gmail.com

03/10/2025

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.

SB 1045 - MACPA Written Testimony -OPPOSE.pdf
Uploaded by: MB Halpern
Position: UNF

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
Senate Budget and Taxation Committee
March 12, 2025
Legislative Position: UNFAVORABLE

Chair Guzzone and members of the Committee,

The Maryland Association of Certified Public Accountants (MACPA) proudly represents 9,000 CPAs across the state. We strongly oppose Senate Bill 1045, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, tax preparation, financial planning, and consulting. This proposal is not only harmful to Maryland businesses but also represents poor tax policy with significant economic consequences.

- Small businesses will be disproportionately impacted, as they must hire outside professionals who are required to charge sales tax, while larger businesses can rely on in-house employees to perform these functions tax-free.

- Maryland will face a competitive disadvantage since neighboring states do not impose sales tax on these services. Clients will seek out-of-state professionals, reducing the economic impact generated by Maryland's professional services firms.

- This tax amounts to a **"tax on taxes"** — a sales tax imposed on clients simply for seeking professional assistance in complying with tax laws and other statutory and regulatory requirements.

- A sales tax on professional services would create **significant legal and administrative challenges** for providers, clients, and the Comptroller's Office. The complexities of multi-state providers, multi-state customers, and electronic communication would result in excessive compliance costs and administrative burdens for all parties.

- Taxing business purchases is widely recognized as **bad tax policy** because of **tax pyramiding**, in which taxes accumulate at multiple stages of production, increasing costs for businesses and consumers.

- Other states have attempted sales taxes on professional services only to repeal them shortly thereafter due to widespread opposition and unworkable implementation.

I. Small businesses will bear the biggest burden

Unlike large corporations with in-house employees handling finance, tax, and consulting functions, small businesses must rely on outside professionals to stay compliant with complex legal requirements. As a result, SB 1045 disproportionately impacts small businesses by making essential professional services more expensive, leading to:

- **Higher operating costs**, which limit growth, hiring, and investment.

- **A competitive disadvantage** for Maryland-based entrepreneurs compared to those in Virginia, Delaware, and Pennsylvania, where these services are not taxed — creating an incentive for businesses to relocate or expand elsewhere.

II. Maryland's competitiveness at risk

Businesses today can easily access accounting, consulting, and other professional services from firms across state lines. If Maryland imposes a sales tax on these services, clients will take their business elsewhere, leading to:

- **Lost business for Maryland-based CPAs and other service providers,** generating far less revenue than SB 1045 anticipates.

- **A decline in state and local income tax collections** from Maryland CPAs and other professionals.

- **A weakened economy** at a time when retaining and attracting businesses should be a top priority.

III. Sales tax on CPAs' services is a tax on compliance

CPAs assist clients in complying with numerous legal requirements, including filing tax returns and preparing financial statements necessary for registrations. SB 1045 would increase the cost of compliance by taxing these essential professional services, forcing clients to choose between paying higher fees or attempting compliance on their own — risking errors and penalties. Imposing a sales tax simply for following the law contradicts Maryland's stated goal of fostering a business-friendly environment

IV. Administrative and legal chaos

Accounting and consulting services are often provided electronically or across state lines by multistate firms serving clients with operations in multiple jurisdictions. Determining where these professional services are taxable would create a logistical nightmare for businesses and Maryland's already overstretched Comptroller's Office. Unlike physical goods, professional services lack a clear point of performance or delivery, making compliance costly and enforcement difficult.

Maryland's reputation has already suffered from complications with PTE return processing, the complexities of sales tax on digital products like software, and the very rocky roll out of the new MarylandTaxConnect tax return filing system. Even with clear definitions and detailed rules — which would take months to develop — a sales tax on professional services would impose a significant administrative burden on CPAs, their clients, and the Comptroller's staff.

V. Taxing business purchases violates fundamental tax principles

Economic experts and tax policy organizations consistently agree that sales taxes should not apply to business inputs — goods and services purchased to support operations. SB 1045 would result in tax pyramiding, in which taxes compound at multiple stages of production, leading to:

- Higher costs for businesses, which will ultimately be passed on to consumers.
- Competitive disadvantages for Maryland businesses compared to those in neighboring states without such a tax.
- Market distortions, as larger corporations with in-house accounting and legal teams avoid the tax, while small businesses bear the burden.

VI. Other States—and Maryland—Have Tried and Failed

Maryland would not be the first state to attempt a tax on professional services. History has shown that such taxes are unworkable and harmful:

- **Florida (1987):** Lawmakers repealed the tax within six months due to widespread business opposition and administrative chaos.
- **Michigan (2007):** Their tax on services lasted less than a day before being repealed after immediate backlash.
- **Utah (2019) & Nebraska (2024):** Both states abandoned similar proposals due to overwhelming opposition from business owners and economic experts.
- **Maryland (2007-2008):** The state enacted a sales tax on computer services in November 2007 but swiftly repealed it in March 2008 following intense taxpayer opposition.

Maryland's own history proves that taxing professional services is a failed approach. Rather than repeating past mistakes, lawmakers should focus on policies that encourage economic growth and maintain the state's competitive edge.

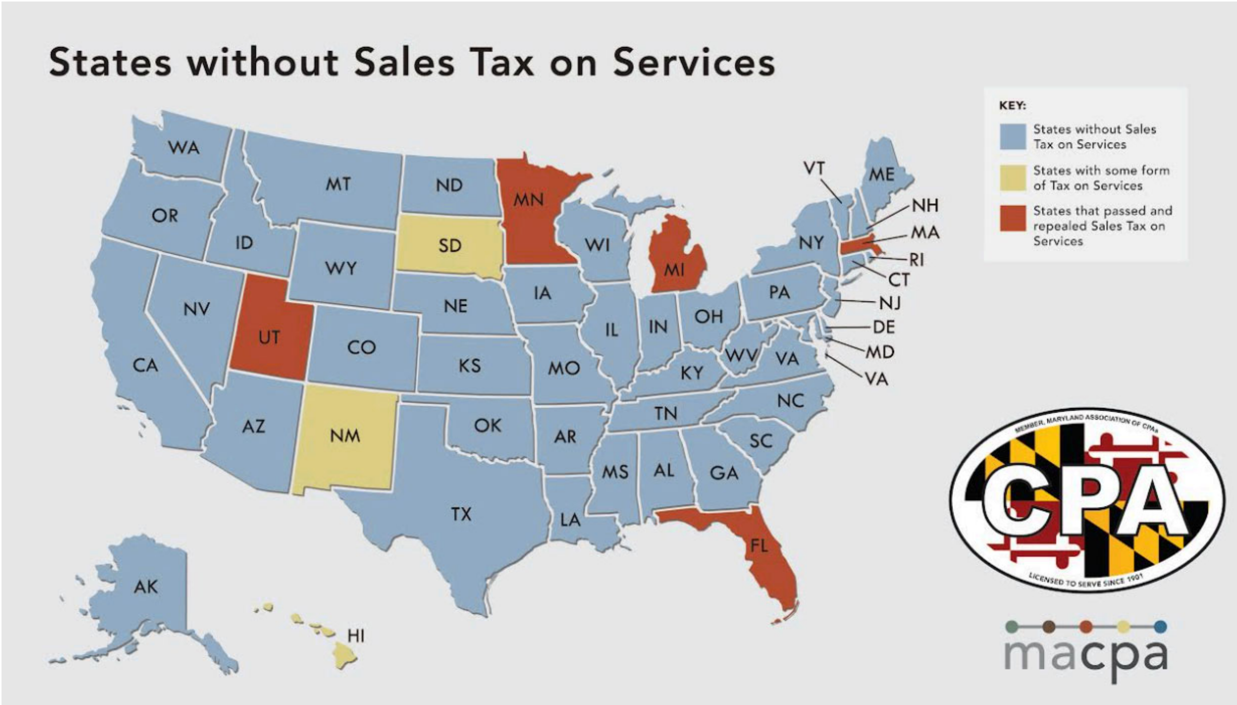
A tax on compliance is bad policy

Senate Bill 1045 is flawed, unworkable, and economically harmful. It would raise costs for small businesses, create compliance challenges, drive businesses out of Maryland, and fail to generate the intended revenue. Rather than imposing new financial burdens on the businesses that fuel Maryland's economy, we urge lawmakers to prioritize policies that foster growth and maintain the state's economic competitiveness.

For these reasons, the **Maryland Association of CPAs urges an UNFAVORABLE report on SB 1045.**

Thank you for your consideration.

For more information about this position, please contact Mary Beth Halpern marybeth@macpa.org or Nick Manis nmanis@maniscanning.com.


States without Sales Tax on Services
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States without Sales Tax on Services
States with some form of Tax on Services
States that passed and repealed Sales Tax on Services
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SB1045_RestaurantAssoc_Thompson_UNF.pdf
Uploaded by: Melvin Thompson
Position: UNF

Restaurant Association of Maryland

Senate Bill 1045

Sales and Use Tax - Taxable Business Services - Alterations

March 12, 2025

Position: **OPPOSE**

Mr. Chairman and Members of the Budget and Taxation Committee:

The Restaurant Association of Maryland strongly opposes Senate Bill 1045. This legislation would impose a 2.5 percent sales and use tax on many business-to-business (B2B) professional services. This tax would increase operating costs for many restaurants.

Most restaurants are small businesses with fewer than 50 employees. This means most restaurants must rely on outside professional services such as accounting, payroll, marketing, information technology, and other services that would be subject to the proposed tax. And our commercial cooking equipment, ventilation/hood systems, dishwashers/water heating systems, and refrigeration require ongoing maintenance and repairs (which would also be subject to this new tax), due to strict food safety/sanitation regulations.

Many restaurants are struggling to survive amid rising costs and lower customer traffic (still down from pre-pandemic levels). In the last 4 years, food costs for the average restaurant have increased 29 percent and labor costs have increased 31 percent. Occupancy and utility costs are also on the rise. With an average pre-tax profit margin of just 3 to 5 percent, higher costs force restaurants to increase menu prices to remain profitable. But increasing menu prices can drive away customers, which is why restaurant operators strive to remain affordable to the communities they serve. The proposed B2B tax on professional services will force restaurants to decide between menu price increases or other cost-cutting measures – both of which could negatively impact the customer dining experience.

The proposed B2B tax would also put Maryland restaurants at a competitive disadvantage with restaurants in neighboring states.

For these reasons, we oppose this legislation and respectfully request an unfavorable report.

Sincerely,

Melvin R. Thompson
Senior Vice President
Government Affairs and Public Policy

MWintrol_Opposition_HB1554_SB1045.pdf
Uploaded by: Melynda Wintrol
Position: UNF

MARYLAND ENSEMBLE THEATRE

31 W. Patrick Street
Frederick, MD 21701
301.694.4744
www.marylandensemble.org
EIN #52-1964330

House Bill 1554

Date: March 10, 2025
Committee: House Ways and Means Committee
Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

As Managing Director of Maryland Ensemble Theatre I write to express strong opposition to House Bill 1554, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. This tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

MARYLAND ENSEMBLE THEATRE

31 W. Patrick Street
Frederick, MD 21701
301.694.4744
www.marylandensemble.org
EIN #52-1964330

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject HB 1554, and advocate for policies that support a thriving business environment in our state.

Sincerely,

MBWintrol

Melynda Burdette Wintrol

Managing Director

Maryland Ensemble Theatre

www.marylandensemble.org

Sales and Use Tax Legislation.pdf
Uploaded by: Michael Jacobs
Position: UNF

FUNDAMENTAL™

March 10, 2025

Chair Vanessa E. Atterbeary
House Ways and Means Committee
130 Taylor House Office Building
Annapolis, Maryland 21401

Chair Guy Guzzone
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: OPPOSE HB 1154 and SB 1045

Dear Committee Chairs and Committee Members:

On behalf of Fundamental Administrative Services (FAS), Fundamental Clinical and Operations Services (FCOS) and our 11 client skilled nursing centers in Maryland, I am writing to **OPPOSE** House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations.

We currently employ over 1500 Marylanders between both our FAS and FCOS as well as our client facilities that we support and we provide care for nearly 1200 frail and elderly Marylanders. FAS and FCOS provide IT, administrative, operational, legal and other services to our client facilities. The facilities contract with FAS and FCOS for these services.

These bills would financially devastate our organization(s) by taxing both the corporate structure and our contracts with other Maryland companies as well as our client facilities and their contracts with our support organizations. The impact to the organization could be nearly $1 million. Given the challenges with Medicaid funding combined with the uncertainty at the federal level, this has the potential to harm the long term care sector in Maryland that would result in an access to care crisis for the state. The impact to Maryland's most vulnerable and their care providers would be devastating.

Thank you for your time and consideration of this critical issue facing Fundamental and long term care providers in Maryland. We urge you to oppose this on behalf of the thousands of frail and elderly Marylanders and their providers of care.

Sincerely,

Michael Jacobs
Government Affairs

HB 1554-SB 1045 testimony - UNF.pdf
Uploaded by: Michael Johansen
Position: UNF

House Bill 1554 / Senate Bill 1045

Position: Unfavorable

Brown Advisory is an independent investment management and strategic advisory firm that manages about $170 billion for individuals, families, charities, governments, institutions, and financial intermediaries located in 51 countries and every U.S. state. Brown Advisory also manages private funds, mutual funds, and ETFs in the U.S., as well as platforms outside of the U.S. in Ireland, Bermuda, and the Cayman Islands. The firm's clients are served by nearly 1,000 employees in14 offices across the United States, a significant office in London, and strategic bases in Abu Dhabi, Frankfurt, Singapore, and Tokyo.

Brown Advisory's global headquarters is in Baltimore. Nearly 500 of our employees live in Maryland. Every employee owns an equity stake in Brown Advisory, together owning about 70% of the firm. Legislation that harms Brown Advisory's business isn't absorbed by public company shareholders or Wall Street. The impact is directly felt by our employees.

There are several reasons why we have an unfavorable view of this bill.

Investment firms like Brown Advisory are structured to pass services and fees between affiliated business entities, investment vehicles, and clients. These structures are often required by federal and international regulatory requirements. In many cases, these entities have no employees and are not operating businesses. As services pass from entity to entity and from entity to clients, this bill would layer business-to-business taxes on services delivered to and from affiliates, creating unreasonable cost.

Furthermore, there are numerous scenarios that would cause individual investors, not business entities to absorb the 2.5% tax. For example, a business entity serves as investment manager to mutual funds. Under the bill, a 2.5% tax added to the investment management fee would flow through to mutual fund shareholders, as this service passes from business entity to business entity. The same would apply to individual investors who pool their interests in investment vehicles, ETFs, REITS, closed-end funds, and other common business entities used for investment, as well as participants in institutional retirement plans based in Maryland, which often have multiple service providers and would therefore suffer several layers of this tax.

The bill places Brown Advisory in an unfair situation versus its competitors. Investment management is a highly competitive industry, with business won or lost on fractions of pennies on the dollar. Brown Advisory is measured in part by the investment performance it achieves for clients. Additional fees and expenses detract from performance. The tax contemplated by this bill would make it more expensive for Maryland-domiciled institutional clients, mutual funds, investment vehicles, including venture capital and early-stage vehicles that fund Maryland businesses, and entities like trusts and family partnerships, all of which are business entities, to hire Brown Advisory.

Sophisticated institutional investors will move their transactions out of Maryland rather than add to their expenses when they consume services. Brown Advisory competitors based outside of Maryland or outside of the United States could structure around the tax proposed in this bill with relative ease, while proximity and familiarity would make enforcement against Brown Advisory easier.

It is important to convey what Brown Advisory will be forced to contemplate should this bill advance in its current form. The activities of investment management firms are mobile. Clients can be served from anywhere Brown Advisory operates, and business entities can be moved to and established in friendlier jurisdictions with relative ease.

Brown Advisory chooses to domicile business entities in Maryland, conduct business from Maryland, continues to invest in our Maryland-regulated trust company, attract employees to Maryland, and drive economic activity in Maryland because this community is important to us. However, we have a duty to our colleagues and clients to make decisions in their best interest.

If Brown Advisory is put in a situation where the firm must choose between maintaining business entities in Maryland subject to paying or charging 2.5% tax on services or domiciling elsewhere and redirecting that economic activity to take place outside of Maryland, we have a duty to our colleagues and clients to follow the path of reduced expenses. Brown Advisory would no longer recommend to our clients that they establish Maryland trusts, family partnerships, or other planning vehicles considered business entities under this bill.

Brown Advisory delivers advice to its clients, just like law firms, which notably are not subject to this bill. We request the same treatment.

Maryland has long been one of a handful of preferred jurisdictions in the United States to domicile mutual funds and closed-end funds, due to in part to the work of Maryland lawmakers long ago to adopt an accommodative legal framework, providing flexible governance, efficient corporate structuring, and strong protections for fund managers. Other states have eliminated much of Maryland's advantage over time as their lawmakers have adopted similar frameworks. Maryland's status today is largely due to inertia and trust that Maryland still values the investment management industry. This bill will signal to the industry that Maryland is ready to surrender its status and create a reason for the industry to look to states more eager to attract and retain their business.

For these reasons, Brown Advisory recommends an unfavorable report.

General Assembly Sales Tax 3-10-25.pdf

Uploaded by: Michael Mandish

Position: UNF

March 10, 2025

To the Honorable Members of the Maryland General Assembly,

I am writing out of concern for the Business to Business Sales Tax proposal. This is simply not good fiscally for our taxpayers and it will be an additional burden on businesses. We seem to have a spending problem more than a challenge with revenue in this state. The Blue Print plan, while it may be great, is not affordable. However, if everyone in the Assembly feels revenue needs to be raised, let's look at things that don't upset individuals as much. For example, there is a non-resident deduction for beneficiaries of trusts that allows non-Maryland taxpayers to avoid Maryland income tax. I would hope that you are looking out the citizens of this state and not others. I would look at eliminating this deduction to raise revenue without reaching into the pockets of Marylanders. In addition, the 1% inheritance tax that used to be charged years ago was abolished in the late 1990s when the economy was good. That is easier for taxpayers to swallow as none of us are guaranteed an inheritance, so it is similar to hitting the lottery. Receiving $99,000 from an estate instead of $100,000 is not cause for screaming. Taxing people on their hard-earned money with auto registration, sales tax and income tax increases will drive people to move away and then you will have a revenue issue. I have been practicing estates for 35 years (since I was 20) and never heard people complain when the 1% inheritance tax was in place. The biggest complaint was "How soon will I get my money from the estate?". I realize everyone will throw out the small business or the family farm and how they can't afford the crushing 1% inheritance tax. Well Boo Hoo. My son is considering accounting and if I were to die and leave him a turn key business, I don't think he will be too upset to pay 1% to get a business worth 100 times more. If the 1% is so dire that it would hurt my business, then my business was on the verge of financial collapse anyway and had bigger issues. If it gets sold, it would not be due to the whopping 1% tax, but because he had to sell to pay off other beneficiaries in the estate, which is typically the case with businesses and farms from my experience (or lack of planning). In short, these two items I pointed out are only in the area of estates and trusts. What other revenue raisers that aren't as brutal to the taxpayers of this state are you not seeing? Most of you probably don't specialize in the estate/trust arena, so you would not know this. Therefore, you need to speak with some experts in other areas as well so you can get the budget back on track.

Thank you for your time and consideration.

Michael A. Mandish, CPA, CSEP, CDFA, AEP

Experience Prince George's - SB1045 UNF.pdf
Uploaded by: Michael Mason
Position: UNF

March 10, 2025

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee

Re: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations
Position: ***Unfavorable***

Dear Chair Guzzone and members of the committee,

Senate Bill 1045 as proposed would modify Maryland's tax code to impose a 2.5% sales tax on business to business (B2B) services. 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 tax on services would create a material disincentive to doing business in Maryland that would exacerbate our current budgetary situation.

The implementation of a B2B sales tax would incentivize businesses to procure services in states that do not impose a service tax. Additionally, this proposal would incentivize commercial service providers in the State to relocate to Virginia, where they could hypothetically retain their client base without being subject to the tax. 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.

A Tax On Services Puts Maryland Businesses at a Competitive Disadvantage Relative to Other States

States with service taxes are at a disadvantage when it comes to competing with states that don't tax 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 our competitor 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.

B2B Service Tax Exacerbates Maryland's Financial Hardship

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. In order 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 services 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 objective of SB 1045 is 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. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

We respectfully request an unfavorable report on Senate Bill 1045.

Sincerely,

Leslie W. Graves
President & CEO
Experience Prince George's

Senate Bill 1045 - MDMO - Oppose.pdf
Uploaded by: Michael Mason
Position: UNF

MARYLAND

Destination Marketing Organizations

March 10, 2025

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee

Re: Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Position: ***Unfavorable***

Chair Guzzone and Vice Chair Rosapepe:

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Respectfully submitted,

Cassandra M. Vanhooser

Cassandra Vanhooser, Chair
Maryland Association of Destination Marketing Organizations

2025 IPMD SB 1045 Senate Side.pdf
Uploaded by: Michael Paddy
Position: UNF

INDEPENDENT
Pharmacies of Maryland

Committee: **Senate Budget and Taxation**

Bill Number: **Senate Bill 1045 - Sales and Use Tax - Taxable Business Services - Alterations**

Hearing Date: **March 12, 2025**

Position: **Oppose**

The Independent Pharmacies of Maryland oppose Senate Bill 1045 – Sales and Use Tax - Taxable Business Services – Alterations. This bill would impose a new 2.5% sales tax on business-to-business services, including accounting, IT support, consulting, marketing and numerous other professional services that independent pharmacies rely on.

Independent pharmacies serve as an integral part of the community by providing essential services that go beyond merely dispensing medications. Our focus is on personalized patient care, health consultations, and fostering long-term relationships with patients to improve their well-being. This bill's proposed tax would significantly burden our ability to continue offering these vital services. Such a tax would increase operational costs and may lead to making healthcare less accessible, especially for the elderly and underserved communities who rely on independent pharmacies in their community. Many independent pharmacies are already operating on razor-thin margins. The financial strain from additional taxes would reduce our ability to reinvest in our businesses, purchase necessary medication and equipment, and provide adequate support for our patients.

In addition to the burdens from House Bill 1554, independent pharmacies are struggling under the influence of pharmacy benefit managers (PBMs). PBMs serve as intermediaries between pharmacies and insurance companies, yet their practices often hurt independent pharmacies by driving down reimbursement rates, delaying payments, and restricting access to certain medications. These practices result in reduced revenue for pharmacies, making it harder for independent pharmacies to compete with larger chains or mail-order pharmacies.

PBMs typically negotiate higher prices for medications but provide independent pharmacies with a fraction of the reimbursement. Often, these reimbursement rates are not sufficient to cover the costs of providing medications and services to our patients, forcing independent pharmacies to absorb losses. PBMs often prefer to steer patients toward mail-order services or large retail chains with whom they have exclusive contracts, creating an unfair competitive disadvantage for independent pharmacies. These practices by PBMs harms patients, who lose access to personalized care and face increasing barriers to obtaining the medications they need.

The combination of a proposed service tax and the continued influence of PBMs threaten the viability of independent pharmacies in Maryland. The added financial burden would make it even more

difficult for independent pharmacies to survive, ultimately reducing access to quality healthcare in communities.

We urge the committee to consider the unintended consequences that House Bill 1554 would have on independent pharmacies and the patients we serve. If we can provide any further information, please contact Michael Paddy at mpaddy@policypartners.net.

2025 IPMD SB 1045 Senate Side.pdf
Uploaded by: Michael Paddy
Position: UNF

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Waller Testimony.pdf
Uploaded by: Michelle Waller
Position: UNF

My name is Michelle Waller, and I have been a Certified Public Accountant in Maryland since 1997 and own and operate a public accounting firm in Wicomico County. I am a trusted business advisor to approximately 100 small businesses in our local area. I **strongly oppose** HB 1554 / SB 1045 as this bill will hurt businesses, increase costs, and put Maryland at a competitive disadvantage.

Small businesses will bear the brunt of this new tax!

- Small businesses already run on very thin margins
- Small businesses are already being hit hard with the drastic increase in minimum wage; those on the Eastern Shore particularly so, since we are a very different economic climate here
- Small businesses rely heavily on professional services—accounting, tax preparation, legal, and consulting—to stay compliant, manage payroll, and make informed financial decisions

For a Fortune 500 company, this is just another line item in the budget. 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 means 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!**

Additionally, 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 taxes just to figure out how much tax you owe"!

In our area here on the Eastern Shore, small businesses are still struggling in the aftermath of COVID. Many businesses closed as a result of the pandemic. Now they are struggling with having to pay a minimum wage level suitable for a city but not for a rural economy like Dorchester County! Additional compliance and then tax on that compliance, is going to be yet another burden born on the backs of hard-working, small business owners.

This could decimate businesses in Dorchester, Wicomico, Worcester, and Somerset counties where it would be more appealing to move their businesses just 15-30 minutes in the opposite direction, thereby landing in Virginia or Delaware.

Please VOTE NO on HB 1554 / SB 1045!

OPPOSE HB 1554 - SB 1045 .pdf
Uploaded by: Mike Radaker
Position: UNF

mec inc
ELECTRICAL SERVICE

24hrs

Service You Can Depend On

March 10, 2025

Good afternoon.

To whom it shall,

I am writing this letter to COMPLETELY OPPOSE HB 1554/SB 1045 Sales and Use Tax, Taxable Business Services.

This bill or thought of a bill will not be at all good for ALL small businesses. The margins of profit are thinning by the years due to bad policy that doesn't listen to those who are running businesses in MD. This bill will cause more businesses to move to neighboring states and your tax base will be severly depleted. If you all want to increase your tax base the simple answer is to abolish this bill and look to incentivise busineses to come to MD.
This bill puts MD Busineses at an extrem disadvantage to our neighboring states here in Washington County that will be very hard to compete!
This bill will hurt any chance to small businesses to grow because of the added cost that doesn't benefit them to show for! This bill will not allow for employee wages to increase due to attempting to stay competiitve therefore not being able to retain the talent that a small business thrives with.
This bill and the thoughts behind it are completely out of line and has no support what so ever from small businesses across the state! It would be the best interest in all parties to oppose this or it could show the result at the polls you may not want to see.
Do the right thing for your fellow Marylanders and get rid of this bill and introduce a tax break for small businesses looking to locate here or to incentivise them to move here!

Very simple business model….OPPOSE HB 1554/SB 1045 and implement businesses to want to stay or relocate to Maryland!

Job Losses Inevitable: Every dollar diverted to this new tax is a dollar not invested in workforce growth. Economic models predict significant employment contraction, particularly among small businesses and service providers.

Consumer Price Surge: Economic research from Towson University's Regional Economic Studies Institute confirms these costs will be passed directly to Maryland consumers through higher prices for everyday goods and services.

Competitive Disadvantage: Maryland already ranks 46th in the Tax Foundation's State Business Tax Climate Index, and as the 3rd most expensive state to do business in (per CNBC's Top States for Business 2024 survey). None of our neighboring states tax these business services, creating a powerful incentive for businesses to relocate across state lines.

"Semper Fi"

Michael Radaker
President/Owner (Cell) #301-748-3409

HB 1554 / SB 1045
Written Testimony

I am writing in to state opposition to bill HB 1554/SB1045. This bill will hurt small business that are already operating on thin margins by increasing costs and putting Maryland at a competitive disadvantages, and business that can will leave the state for more business friendly environments.

Caring Hands Adult Day Care provides services for seniors, vulnerable and disabled adults. We are already operating on a razor thin margin in a challenging environment. The services that are being proposd for this tax, are services that we use. This increase would make it impossible to operate. We have requirements by the state, and we cannot pass these charges on to the consumer, and should these increases go into effect, we will have to reduce our payroll, laying off some employees who rely on us for employment in their community. This trickle down effect will have a huge impact to our community and state.

Sincerely,

Milana K Klein
Caring Hands Adult Day Care of Dundak

Oppose sales tax on B2B services.pdf
Uploaded by: Monica Kempson
Position: UNF

Subject: Oppose HB 1554 / SB 1045: Harmful tax on small businesses

Dear Members of the Committee,

As a local business and a CPA, I am writing to express my strong opposition to HB 1554 and SB 1045. These bills would impose a tax on professional services, which would directly harm Maryland's small businesses and economy.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would negatively impact Maryland businesses:

- **Increase costs for small businesses** already struggling with inflation and economic uncertainty.

- **Drive business out of Maryland** as companies seek services in states without this tax.

- **Create a logistical nightmare:** Where does the tax apply when a CPA serves a multi-state business? How do remote work and cross-border services factor in? How much time and money will businesses waste on tracking and compliance?

- **Tax on Tax**: Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

I urge you to oppose HB 1554 and SB 1045 to protect Maryland's businesses, jobs, and economy. Instead, please advocate for policies that support a thriving business environment in our state.

Thank you for your time and consideration.

Sincerely,

Monica A. Kempson, CPA
Tax Partner
Askey, Askey & Associates, CPA, LLC

testimony sales tax on tax prep.pdf
Uploaded by: MOSHE PELBERG
Position: UNF

Dear Esteemed Legislators:

This vote boils down to the ability of our legislators to think outside of the box.

Everyone agrees that we'd rather not raise taxes, and we do want to fund the public education of our children.

Increasing taxes has many unintended consequences. In this case, there is the intended consequence of the tax burden on businesses. There is also the unintended consequence of the administrative burden on CPA firms that have to collect the tax. There is also the unintended burden on the Comptroller to collect and enforce the tax. That burden is probably the largest unintended consequence, as the Comptroller is still struggling with the administration of the PTE tax.

Another unintended consequence is the possibility of CPA firms forfeiting their LLC status to avoid this and future compliance nightmares that the legislature will want to place on them.

Also, this may very well lead to businesses bringing their business to other states that do not charge sales tax on their services.

On the other hand, we do need to fund our children's education. What should we do? It would seem that this is the time review Kirwan in light of advances in the science of education. Right after Kirwan was introduced, the NY Times and the Atlantic came out with articles with new ways to look at early childhood education.

https://archive.nytimes.com/parenting.blogs.nytimes.com/2014/05/01/kids-need-more-structured-playtime-not-less/

https://www.theatlantic.com/education/archive/2016/05/why-young-kids-learn-through-movement/483408/

And a great article by Seth Godin on the topic

https://seths.blog/wp-content/uploads/2019/05/stop-stealing-dreams6print.pdf

Instead of taking the easy way out, let's roll up our sleeves and do the hard work of providing great learning for our kids, and a great business climate for our adults!

Moshe Pelberg CPA

mpelberg@moshepelbergcpa.com

testimony sales tax on tax preparation.pdf
Uploaded by: MOSHE PELBERG
Position: UNF

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And a great article by Seth Godin on the topic

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Instead of taking the easy way out, let's roll up our sleeves and do the hard work of providing great learning for our kids, and a great business climate for our adults!

Moshe Pelberg CPA

mpelberg@moshepelbergcpa.com

MD SB 1045 Sales Tax testimony 3.12.25.pdf
Uploaded by: Nancy Egan
Position: UNF

Testimony of

American Property Casualty Insurance Association (APCIA)

Senate Budget & Taxation Committee

Senate Bill 1045

March 12, 2025

Letter of Opposition

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 66.9% of the private passenger auto insurance and 82.4% of the commercial auto insurance in the Maryland market. APCIA appreciates the opportunity to provide written comments in opposition to Senate Bill 1045 which will increase claim costs and result in the consumer paying higher premiums.

Senate Bill 1045 would expand the current State sales and use tax law by imposing the tax on various business-to-business services that property casualty insurance companies routinely use, including accounting and payroll services, data and information technology services, marketing services, and heavy truck and bus repairs. Currently, there are 30 property casualty insurance companies domiciled in Maryland and 33 property casualty insurance companies are headquartered here in Maryland.

The new sales tax would make Maryland less competitive and less attractive since insurers' cost of doing business (both through claims and general operating expenses) will be higher. A variety of services utilized by insurers would be taxed under this legislation, which will raise the cost of doing business as well as insurers' claims costs. For example, insurers utilize data and information technology services, which would be subject to tax under this bill, for a number of critical functions, including underwriting, rating, and claims processing. This legislation would also increase claims costs associated with heavy truck and bus repairs at a time when claims costs and expenses are skyrocketing around the country. Likewise, insurers pay for professional services (e.g., accounting) both in the context of claims and general business operations, and these services would be subject to the new tax. In the end, it is the consumer and Maryland businesses who will be paying the additional cost in higher premiums. Higher costs of claims necessarily result in higher premiums for Maryland consumers and businesses, which can lead to more uninsured drivers and higher costs to doing business in Maryland.

For these reasons, the APCIA urges the Committee to provide an unfavorable report on Senate Bill 1045.

Nancy J. Egan,

State Government Relations Counsel, DC, DE, MD, VA, WV

Nancy.egan@APCIA.org Cell: 443-841-4174

Testimony of Nicholas Grueninger Senate.pdf
Uploaded by: Nicholas Grueninger
Position: UNF

Testimony of Nicholas Grueninger, CPA
Opposition to SB1045 – Sales and Use Tax on Business Services
Senate Budget and Taxation Committee
March 12, 2025

Legislative Position: UNFAVORABLE

Chair Guzzone and Members of the Committee,

My name is Nicholas Grueninger, and I am a Certified Public Accountant (CPA) with over 14 years of experience in the accounting profession. I work with thousands of small businesses in across each of Maryland's counties, providing essential accounting and financial services that help them navigate complex tax and regulatory environments. I strongly oppose SB1045, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, financial planning, and consulting services. This bill will have significant negative consequences for Maryland businesses, professionals, and the broader state economy.

A Competitive Disadvantage for Maryland Businesses

The vast majority of Maryland's population and businesses are within an hour or less of states that do not impose such a tax. By implementing this tax, Maryland will place its businesses at a distinct competitive disadvantage. Companies will seek professional services in neighboring states, where they can avoid the additional tax burden. Given that many accounting services are now provided virtually, businesses will have little incentive to retain Maryland-based service providers when they can access the same expertise from tax-free jurisdictions just across the border.

Economic Impact and Additional Financial Burden

Taxes on businesses ultimately get passed down to the individual. Over the past five years, Maryland businesses and residents have faced extreme cost increases across numerous sectors. Additionally, recent federal budget cuts have significantly impacted Maryland due to our proximity to Washington, D.C., and the high number of federal contractors and employees in the state. Imposing a tax on essential business services would only exacerbate these financial pressures and create further economic instability.

Maryland's Track Record of Tax Policy Challenges

Past tax policy changes in Maryland have demonstrated the risks of poorly implemented tax structures. The pass-through entity (PTE) tax, for example, was mishandled and created undue burdens in both its initial implementation year and subsequent years. The latter was due, in large part, to a high volume of inaccurate tax notices issued by the state, resulting in confusion and administrative costs for businesses and tax professionals. SB1045 risks repeating these same mistakes, further eroding confidence in Maryland's tax policy administration.

Higher Costs, Reduced Business Revenue, and Economic Decline

For my firm and many of my clients, this tax will increase operational costs. Some businesses may attempt to absorb the additional expense, impacting their bottom line, while others may have no choice but to pass it on to customers. Either way, Maryland businesses will suffer competitive disadvantages compared to those in states without this tax.

As businesses shift their service needs to providers outside of Maryland, we will see a decline in tax revenue over time, undermining any short-term gains the state hopes to achieve with this measure. The long-term impact will be a weakening of Maryland's economy, as businesses relocate or restructure to minimize their tax burden.

Conclusion: A Harmful and Short-Sighted Tax Policy

SB1045 is fundamentally flawed and will cause long-term harm to Maryland's economic growth and competitiveness. Instead of imposing additional financial burdens on businesses, lawmakers should focus on policies that promote economic expansion and job creation. For these reasons, I strongly urge the committee to issue an **UNFAVORABLE** report on SB1045.

Thank you for your time and consideration.

Nicholas Grueninger, CPA

Testimony of Nicholas Grueninger.pdf
Uploaded by: Nicholas Grueninger
Position: UNF

Testimony of Nicholas Grueninger, CPA
Opposition to HB1554 – Sales and Use Tax on Business Services
House Ways & Means Committee
March 12, 2025

Legislative Position: UNFAVORABLE

Chair Atterbeary and Members of the Committee,

My name is Nicholas Grueninger, and I am a Certified Public Accountant (CPA) with over 14 years of experience in the accounting profession. I work with thousands of small businesses across each of Maryland's counties, providing essential accounting and financial services that help them navigate complex tax and regulatory environments. I strongly oppose HB1554, which seeks to impose a 2.5% sales tax on business-to-business (B2B) professional services, including accounting, financial planning, and consulting services. This bill will have significant negative consequences for Maryland businesses, professionals, and the broader state economy.

A Competitive Disadvantage for Maryland Businesses

The vast majority of Maryland's population and businesses are within an hour or less of states that do not impose such a tax. By implementing this tax, Maryland will place its businesses at a distinct competitive disadvantage. Companies will seek professional services in neighboring states, where they can avoid the additional tax burden. Given that many accounting services are now provided virtually, businesses will have little incentive to retain Maryland-based service providers when they can access the same expertise from tax-free jurisdictions just across the border.

Economic Impact and Additional Financial Burden

Taxes on businesses ultimately get passed down to the individual. Over the past five years, Maryland businesses and residents have faced extreme cost increases across numerous sectors. Additionally, recent federal budget cuts have significantly impacted Maryland due to our proximity to Washington, D.C., and the high number of federal contractors and employees in the state. Imposing a tax on essential business services would only exacerbate these financial pressures and create further economic instability.

Maryland's Track Record of Tax Policy Challenges

Past tax policy changes in Maryland have demonstrated the risks of poorly implemented tax structures. The pass-through entity (PTE) tax, for example, was mishandled and created undue burdens in both its initial implementation year and subsequent years. The latter was due, in large part, to a high volume of inaccurate tax notices issued by the state, resulting in confusion and administrative costs for businesses and tax professionals. HB1554 risks repeating these same mistakes, further eroding confidence in Maryland's tax policy administration.

Higher Costs, Reduced Business Revenue, and Economic Decline

For my firm and many of my clients, this tax will increase operational costs. Some businesses may attempt to absorb the additional expense, impacting their bottom line, while others may have no choice but to pass it on to customers. Either way, Maryland businesses will suffer competitive disadvantages compared to those in states without this tax.

As businesses shift their service needs to providers outside of Maryland, we will see a decline in tax revenue over time, undermining any short-term gains the state hopes to achieve with this measure. The long-term impact will be a weakening of Maryland's economy, as businesses relocate or restructure to minimize their tax burden.

Conclusion: A Harmful and Short-Sighted Tax Policy

HB1554 is fundamentally flawed and will cause long-term harm to Maryland's economic growth and competitiveness. Instead of imposing additional financial burdens on businesses, lawmakers should focus on policies that promote economic expansion and job creation. For these reasons, I strongly urge the committee to issue an **UNFAVORABLE** report on HB1554.

Thank you for your time and consideration.

Nicholas Grueninger, CPA

SB 1045 Opposition Letter.pdf
Uploaded by: Nick Lovell
Position: UNF

Unemployment Tax Service, Inc.

March 10, 2025

Maryland Senate
Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chair Guzzone and Members of the Committee,

As a local business that represents and supports organizations across Maryland, I am writing to voice strong opposition to Senate Bill 1045, which seeks to extend the state's sales and use tax to essential business-to-business (B2B) services. This proposal would introduce a 2.5% tax on critical services that businesses depend on daily, such as accounting, IT support, consulting, and more.

While we recognize Maryland's budgetary challenges, imposing a B2B service tax is a short-sighted solution that would have lasting negative consequences for the state's economy and business climate. This legislation presents several significant concerns:

Harmful Impact on Small Businesses

Small businesses operate on limited margins and often rely on outsourced professional services to remain competitive. Unlike large corporations, they lack the capacity to absorb additional taxes or bring these services in-house. This tax would impose substantial new annual costs, forcing many businesses to make difficult decisions—whether to raise prices, reduce staff, or scale back investments in growth.

Double Taxation and Increased Consumer Costs

Taxing business services leads to a "tax-on-tax" scenario, where services and goods are subject to multiple layers of taxation throughout the production chain. This compounding effect increases the overall cost of doing business and, ultimately, raises prices for Maryland consumers.

Competitive Disadvantage in the Region

If enacted, this tax would place Maryland at an economic disadvantage compared to neighboring states. Virginia and Delaware do not impose similar B2B service taxes, making it more attractive for businesses to seek service providers across state lines or relocate altogether. This would weaken Maryland's business environment and discourage investment within the state.

Increased Administrative Burden and Compliance Costs

Beyond the financial impact, the added complexity of tracking, collecting, and remitting this tax would place a significant administrative strain on businesses—particularly small businesses with limited resources. Compliance costs would increase, diverting valuable time and money away from operations and growth.

P.O. Box 2033, Westminster, MD 21158 • 410-876-2700 • Fax 410-876-3367

Risk of Future Tax Increases and Expansions

Once implemented, this tax could easily be expanded to additional industries or increased beyond the initial 2.5% rate. There is legitimate concern that future budget gaps could lead to higher taxes or an expansion to essential services such as legal, real estate, and healthcare—further compounding the financial strain on businesses.

Long-Term Economic Consequences

Rather than fostering economic growth, this tax would create barriers that stifle business development and innovation. A thriving business community naturally generates revenue through job creation and economic activity, providing a more sustainable path to fiscal stability without imposing burdensome taxes.

I urge you and the General Assembly to consider the far-reaching implications of SB 1045 and reject this harmful proposal. Instead, we should focus on policies that support a strong, competitive, and business-friendly environment in Maryland.

Sincerely,

Nick Lovell

Nick Lovell
Account Manager
Unemployment Tax Service, Inc.

CBH-UNFAV-SB1045.pdf

Uploaded by: Nicole Graner

Position: UNF

COMMUNITY BEHAVIORAL HEALTH ASSOCIATION OF MARYLAND

SB1045
Sales and Use Tax – Taxable Business Services - Alterations
March 10, 2025
Senate Budget and Tax Committee
POSITION: OPPOSE

CBH is the leading voice for community-based providers serving the mental health and addiction needs of vulnerable Marylanders. Our 87 members serve individuals accessing care through Maryland's public behavioral health system. These providers deliver vital outpatient and residential treatment, day programs, case management, Assertive Community Treatment (ACT), employment supports, and crisis intervention services to those in need.

While we understand and support the need to increase state revenue, SB1045 creates uncertainty and could unintentionally harm Maryland's businesses and nonprofits. Many businesses, particularly small ones and nonprofits, rely on third-party vendors for essential services like accounting, payroll, and HR. This bill could complicate those relationships, increasing administrative burdens and costs.

Another concern is the risk of double taxation for organizations with multiple corporate entities. Many companies centralize payroll and administrative services within one entity while contracting internally with affiliated programs. Under this bill, those transactions could be taxed multiple times, making it harder for businesses and non-profits to operate efficiently.

This bill may unintentionally drive away out-of-state businesses that provide essential services to Maryland companies. The complexity of tax collection and reporting could deter vendors from working with Maryland-based organizations, leaving local businesses with fewer options and higher costs.

The bill does not specify whether tax-exempt organizations engaging in these services would be affected. Many nonprofits, including several of CBH's member organizations, operate with multiple affiliated entities that share administrative functions. If these transactions become taxable, it could divert crucial resources away from their core missions and essential community services.

Maryland businesses and non-profits need a tax system that is predictable and clearly defined. Adding complexity without clear guidelines creates uncertainty, which can slow economic growth and discourage investment. While we support efforts to increase revenue, this bill's unintended consequences could outweigh its benefits.

For these reasons, we respectfully urge the committee to give SB1045 an unfavorable report.

For more infor*mation contact Nicole Graner, Director of Government Affairs and Public Policy, at 240-994-8113 or Nicole@MDCBH.org*

SB 1045 - NXT LLC - Written Testimony.pdf
Uploaded by: Nish Thakker
Position: UNF

Senate Bill 1045
Date: March 12, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Honorable Chair Guzzone and Members of the Committee,

As a Maryland-based small, minority, women-owned business, I write to express opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Nish Thakker

Founder and Chief Executive Officer, NXT LLC

nish@nxtpartner.com

(m) 240-477-9476

www.nxtpartner.com || LinkedIn ||

909 Rose Ave. Suite 400, North Bethesda MD 20852

SMALL BUSINESS RESERVE SBR PROGRAM

MINORITY BUSINESS ENTERPRISE MBE PROGRAM

Senate Written Testimony SB 1045.pdf
Uploaded by: Norman Snowberger
Position: UNF

SB 1045: UNFAVORABLE
Norman Snowberger, CFO
Lorien Health Services, Inc.
NSNOWBERGER@LorienHealth.com
Tel: 443.574.1101
3300 N. Ridge Road – Suite 390
Ellicott City, MD 21043

SB 1045 UNFAVORABLE
Sales and Use Tax – Taxable Business Services - Alterations Act

Senate Budget and Taxation Committee
Wednesday, March 12, 2025 at 3:00 pm

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee,

My name is Norman Snowberger and I am CFO of Maryland Health Enterprises, Inc. dba Lorien Health Services (“Lorien”). I am testifying in OPPOSITION to HB 1554. **However, if SB 1045 is to be reported on favorably, subsection 11-101 (m) (14) should be amended to exempt transactions between related parties with identical ownership.** The proposed amendment could be accomplished by simply adding the following to the end of line 23 on p. 4 of the Bill: “…which do not share common ownership: ”

Lorien is a management company established by members of the Mangione Family to provide efficient and well – coordinated management services to the highly regulated Lorien-branded 8 Nursing Homes and 6 Assisted Living Facilities. Both Lorien and the facilities it manages are “related parties” owned entirely by the ten (10) adult children of the company’s founder, the late Nicholas B. Mangione.

Lorien’s Nursing Homes and Assisted Living communities are located in Baltimore County, Carroll County, Harford County and Howard County. Our businesses are all individually incorporated, tax – paying for profit companies which provide substantial employment opportunities and have important economic impact benefitting all the residents of these counties.

It should also be noted that Lorien facilities provide critically needed quality Long Term Care to an elderly and very vulnerable Medicaid patient population, as well as rehabilitation services to those on Medicare, and private payers. In fact, Medicaid services amounted to 51% of combined revenues for all Lorien Nursing facilities for FY 2024.

Many of the management services provided by Lorien to its related party facilities would be covered under Section 11-101(m) (14) since they are legally separate entities even though they share common ownership. Among these services are administration, billing, accounting, and financial management and more. It would be bad public policy to levy a tax on a business structure created to enhance quality of care by promoting efficiency and administrative uniformity across its multiple locations. **For this reason, if SB 1045 is to be enacted, it should be amended to exempt transactions between related parties with common ownership as stated above.**

However, I firmly believe that **SB 1045 should not receive a favorable report as it applies to the Nursing Home and senior care sector.** As you know, Maryland's Nursing Homes have been hard hit by the COVID Pandemic, an ongoing critical Nursing shortage, and crippling inflation. The staffing shortage in particular has forced Nursing Homes to rely on very expensive Staffing Agencies which would be taxed. Senate Bill 1045 paints with a broad brush and would impose a burdensome 2.5% tax on a wide variety of other businesses too that Lorien must deal with in its day-to-day operations. These include food and supply vendors, accountants, legal services, medical equipment suppliers, pharmacy providers, and more.

I understand the State is grappling with substantial budgetary shortfalls, but we simply cannot balance the budget on the backs of our most vulnerable and needy residents - the very patients we serve. We are already struggling with increased minimum wages, expensive staffing agencies, family leave act expenses and inflationary pressures. We must maintain our focus on preserving resources which enable us to provide quality care for those in need.

Lorien and I respectfully urge an unfavorable report on SB 1045 or that the Bill be amended to exempt related party transactions as described above.

Testimony Nydia van Dyk_SB 1045.pdf
Uploaded by: Nydia van Dyk
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local bookkeeping business, I write to **strongly oppose** Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or rate increases. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is focusing on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you, and the members of the General Assembly, to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Nydia van Dyk
Owner
QuiverTree Bookkeeping

OPPOSITION to Senate Bill 1045.pdf
Uploaded by: Patricia Frederick
Position: UNF

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 Guzzone and Committee Members:

I am writing to express my strong opposition to Senate Bill 1045 as a small business Bookkeeping and Accounting firm owner and member of the Maryland Society of Accounting and Tax Professionals (MSATP). My practice is based in Hanover, MD where I have been serving Maryland taxpayers and businesses for almost two years.

This legislation, which would impose a 2.5% sales tax on accounting, tax preparation, payroll, and bookkeeping services provided to business entities, would have severe negative consequences for both my practice and the Maryland small businesses I serve. As a growing practice, I consistently reach out to local small businesses and engage in my community. I agree with and stand with the Moore-Miller Administration's commitment to reducing barriers to doing business in Maryland.

The impact on my practice would be immediate and substantial. As a new small business and solo practitioner, I operate with limited resources and tight margins. Implementing this divert my time and attention from providing timely, ongoing client service and engaging in my community to calculating new rates and educating clients on the implementation of the new law, a substantial burden for a small professional practice like mine. Additionally, my work is performed virtually. This would push local business owners to engage with accountants and bookkeepers in other states where this service tax is nonexistent.

More concerning is how this tax would affect my clients. For example, a family-owned retail business in our county that employs 2 people spends $6,000 annually on accounting and tax services. This bill would impose an additional $150 tax on these essential services. For small businesses already operating on thin margins, these increased costs could lead to difficult decisions about reducing their use of professional services.

I find it particularly troubling that while accounting services would be subject to this new tax, legal services are conspicuously excluded. This creates an unfair competitive disadvantage where approximately 188,917 accounting businesses would be taxed, while

359,026 legal service businesses would remain exempt. This selective application raises serious questions about equity and fairness in our tax system.

From my professional experience helping businesses maintain tax compliance, I can tell you with certainty that this legislation would have unintended consequences. Some of my clients would inevitably reduce their use of professional accounting services, potentially leading to errors in tax filings, missed deductions, and even unintentional non-compliance – outcomes that benefit neither the businesses nor the state.

As someone dedicated to helping Maryland businesses navigate complex tax regulations, I ask you to consider the real impact this legislation would have on small accounting practices and the businesses we serve. I respectfully urge you to issue an unfavorable report on House Bill 1554.

Thank you for your consideration.

Sincerely,

Patricia Frederick, MBA

Finance 360, LLC

patriciaf@finance360consulting.com

410-357-1568

MSATP Member

20250310_SB 1045 OPP Testimony.pdf

Uploaded by: Patricia Mir

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

On behalf of the Maryland Hispanic Chamber of Commerce (MDHCC), I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For MDHCC members located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Marco V. Ávila, P.E.

Marco V. Ávila, P.E.
Chairman of the Board & President/CEO
Maryland Hispanic Chamber of Commerce
chair@mdhcc.org
443-519-6909

Testimony HB 1554 - SB 1045 - Sales and Use Tax -

Uploaded by: Patrick Hosford

Position: UNF

gbc POSITION STATEMENT

Written Testimony to the Budget and Taxation Committee

SB.1045/ HB.1554 – Sales and Use Tax – Taxable Business Services – Alterations

Sponsors:
Senator Hettleman

March 12, 2025

Position: Oppose

Dear Members of the Budget and Taxation Committee,

On behalf of the Greater Baltimore Committee (GBC), we submit this **testimony in opposition to SB.1045,** Sales and Use Tax – Taxable Business Services – Alterations.

We firmly believe this proposed 2.5% tax on business services will impose a significant and detrimental financial burden on the State of Maryland's ability to attract and retain new private sector business, spur new firm growth, and catalyze entrepreneurship—at a time when it's imperative that we do so.

The GBC is dedicated to fostering a robust and inclusive regional economy. Since our mergers with the Economic Alliance of Greater Baltimore and UpSurge, we've centralized the private sector voice, positioning the Baltimore Region to be top-rated in an increasingly competitive environment. We've produced a ten-year economic opportunity agenda and will soon release the first-ever regional brand to help market our economic assets. We quantified more than $4 billion in announced investment for the Baltimore Region—benchmarking the region's growth—and are working to better connect established firms and entrepreneurs, providing services and technology innovations to local and national companies. This work relies on a healthy business environment and prudent policy making for collective success.

Maryland's proximity to the federal government and historic support of federal investments and employment can no longer serve as outsized economic drivers for the state's economy. As we work to orient our economy toward private sector growth, we cannot afford to lose entrepreneurs, businesses, and startups to other states, who offer more favorable tax environments to grow and offer ease of access to build, commercialize, and engage with customers.

New, unwelcoming business policies and unforeseen tax burdens could further discourage transactions and investments that support Maryland-based firms as both clients and customers—damaging for a state that's been on the leading edge of growing underrepresented firms and business owners.

It is well noted by public finance scholars and practitioners across the United States have consistently identified the negative economic consequences of taxing business inputs (B2B sales tax). **This type of taxation can create non-neutral and non-transparent tax burdens, increase regressivity, and obscure the true cost of operating in the state –** causing a situation where the tax burden "stacks up" as goods move through the supply chain.

The consequences are that local and non-local businesses who are seeking or providing services may forgo transactions all together, severely impacting the Baltimore regional economy. **This will inevitably lead to job losses, as every dollar diverted because of this tax is a dollar not invested in workforce growth**. Economic models predict a substantial contraction in employment, particularly among small businesses and service providers. Moreover, increased costs for services will inevitably be passed on to customers and consumers in the form of higher prices at local stores, restaurants, and service providers, increased healthcare and professional service costs, resulting in fewer job opportunities, and reduced wage growth.

For these reasons, **we oppose SB.1045,** and we urge you to issue an unfavorable report on this bill and ensure that Maryland remains a premier destination for investment and sustainable growth.

Sincerely,

Mark Anthony Thomas
President and CEO
Greater Baltimore Committee

Patrick Hosford
Director of Strategy and Research
Greater Baltimore Committee

GREATER BALTIMORE COMMITTEE
Suite 1700. 111 South Calvert Street. Baltimore, Maryland 21202-6180
410. 727-2820. Fax 410. 539-5705

03102025 COST Opposition Maryland SB 1045 -- Busin

Uploaded by: Patrick Reynolds

Position: UNF

COST
COUNCIL ON STATE TAXATION

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March 10, 2025

Via MyMGA

Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair
Senate Budget and Taxation Committee
Maryland General Assembly

Re: Opposition to Senate Bill 1045 Business Services Tax

Dear Chair Guzzone, Vice Chair Rosapepe, and members of the Committee:

On behalf of the Council On State Taxation (COST), we strongly oppose Senate Bill 1045 which imposes a new and novel tax exclusively on business purchases of many services (business inputs). This new tax violates several principles of sound tax policy.

A fair, efficient, and well-designed sales tax should be levied only on final consumption by the ultimate consumer. S.B. 1045 is in direct contravention of an ideal sales tax system as it only applies to services when the purchaser is a business, which creates pyramiding and a lack of transparency to both consumers and policy makers. This new tax will serve as a *de facto* gross receipts tax, which exacerbates the pyramiding and the lack of transparency inherent in S.B. 1045. Nowhere in the U.S. (including Maryland's neighboring states) is there a tax scheme that imposes sales tax on services only when the purchaser of the service is a business. Enactment of such a proposal will significantly impact Maryland's economic competitiveness and growth. Finally, the new tax will place significant administrative burdens on Maryland's businesses due in large part to an unorthodox tax base that leaves many questions unanswered.

About COST

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business, many of which have significant business activities in Maryland. COST's objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities.

COST Opposes Sales Taxes on Business Inputs

The COST Board of Directors has adopted a formal policy position opposing the imposition of sales taxation on business inputs.[1] That policy position provides:

> *Imposing sales taxes on business inputs violates several tax policy principles and causes significant economic distortions. Taxing business inputs raises production costs and places businesses within a State at a competitive disadvantage to businesses not burdened by such taxes. Taxes on business inputs, including taxes on services purchased by businesses, must be avoided.*

Imposing sales tax on business inputs specifically violates the tax policy principles of neutrality, equity, simplicity, and transparency and causes economic distortion. This distortion results primarily from pyramiding, which occurs when a tax is imposed at multiple levels of a distribution chain and thereby imposes a hidden effective tax rate that exceeds the retail sales tax rate. The hidden rate creates a lack of transparency for both the consumer and the legislature and forces companies to either pass these increased costs to consumers or reduce their economic activity in the State to remain competitive with other producers that do not bear the burden of such increased taxes. The economic burden of taxes on business inputs inevitably shifts to consumers through higher prices or to labor in the State through lower wages and fewer jobs. To put it simply, although this tax is a direct tax on businesses, the vast majority of the tax will be passed along to Maryland citizens through higher prices and/or stagnating wages.

The Business Services Tax Operates as a Gross Receipts Tax

The COST Board of Directors has adopted a formal policy statement opposing gross receipts taxes:[2]

> *Gross receipts taxes are widely acknowledged to violate the tax policy principles of transparency, fairness, economic neutrality and competitiveness; generally, such taxes should not be imposed on business.*

For many service providers selling to Maryland businesses the tax in S.B. 1045 is a 2.5% tax on their gross receipts. Business consumers of such services will be forced to either absorb or pass on the tax as part of the final goods or services they sell, whether to final consumers or other businesses. As noted, the tax at each step is thus built into the price of the service sold at the next stage, which is taxed again, resulting in cascading or pyramiding.[3] Because of this, a gross receipts tax (or tax that operates similarly to a gross receipts tax) is a stealth tax with its true burden hidden from taxpayers. The public does not see the tax because it is imposed on businesses, and the public has no way of seeing the pyramiding that converts a relatively low rate

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[1] See https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/salestaxation-of-business-inputs.pdf..

[2] See https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/grossreceiptstaxes.pdf.

[3] See *Resisting the Siren Song of Gross Receipts Taxes: From the Middle Ages to Maryland's Tax on Digital Advertising* by Richard D. Pomp, https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/md-tax-study.pdf.

on business purchases into a much higher effective rate on the purchase of the final good or service.

This tax structure inhibits growth and development of the economy of an adopting state; establishes artificial incentives for vertical integration; and discriminates against contracting work with independent suppliers and the advantages of scale and specialization that production by independent firms can bring. In this way, gross receipts taxes particularly harm small and medium-sized businesses.

States that impose a gross receipts tax typically do so in lieu of an income tax on business. However, the same businesses subject to this *de facto* gross receipts tax are already subject to corporate income tax in Maryland. Finally, in those states that levy a gross receipts tax, such taxes are imposed at a very low rate to minimize their harmful effects. Ohio's Commercial Activity Tax, for example, is levied at a rate of .26%. The tax in S.B. 1045 is almost 10 times that rate and will add substantial costs to almost every product or service sold by Maryland businesses who are forced to pay this tax on their purchases of business services listed in S.B. 1045.

Additional Tax on Business Inputs Will Undermine Maryland's Competitiveness

With the rapid growth of the services sector in recent decades, it is understandable that a state would want to expand its sales tax base to include additional service categories. However, the direct tax only on business to business services in S.B. 1045 will significantly undermine Maryland's economic competitiveness with its neighboring states and foreign countries whose inputs are exempt from such taxation.[4] Currently, Maryland derives approximately 42% of its sales tax revenue from the taxation of business inputs.[5] Most of Maryland's neighboring states derive a similar percentage of their sales tax from business inputs: New Jersey – 43%, Pennsylvania – 42%, Virginia – 40%, and Washington DC – 42%. Delaware does not impose a general sales tax. The passage of S.B. 1045 will significantly increase the share of Maryland sales tax derived from business inputs which will put businesses selling these services into and out of Maryland at a competitive disadvantage compared to businesses entering into these transactions in neighboring states.

The New Business Services Tax Is Administratively Burdensome

The COST Board of Directors has adopted a formal policy statement urging states to impose fair, efficient, and customer-focused tax administration:

> *Fair, efficient and customer-focused tax administration is critical to the effectiveness of our voluntary system of tax compliance. A burdensome, unfair, or otherwise biased*

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[4] Almost all other countries impose a value added tax (VAT) rather than a retail sales tax. A VAT essentially has a business input exemption built into the design of the tax to avoid pyramiding of the tax. Under a VAT, all business inputs are taxed, but a refund or credit is allowed if the next stage of the supply chain is subject to VAT. This method generally ensures that the tax is applied at only one level.

[5] The COST Sales Tax Scorecard, "The Best and Worst of State Sales Tax Systems" is available at https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articlesreports/270677_cost_salestaxbk_2022_final.pdf.

> *administrative system negatively impacts tax compliance and hinders economic competitiveness.*[6]

The proposed new and unique business services taxation in S.B. 1045 violates this policy position because it is a burdensome tax that will require most taxpayers to initiate extensive system changes to collect and remit the proposed tax within a new bifurcated sales tax system. Many of the service providers implicated in S.B. 1045 do not currently collect and remit sales tax on these services in any other state and will be required to register for a sales tax account and expend significant IT resources to accommodate the new tax.

S.B. 1045 leaves many questions about the administration of the new tax unanswered. As just one example, how will the new services subject to the tax be sourced – to where the benefit of the service is derived or to where the service is performed? How are these distinctions defined? Numerous additional critical administrative issues with such taxes, including the bundling of goods with services, collection, remittance, and definitions are silent in the bill. Requiring taxpayers to guess which transactions are subject to the new tax and how to source them is unconscionable, particularly when taxpayers that fail to collect the proper amount of tax are liable for any taxes they failed to collect.

Conclusion

The new tax on business-to-business transactions in S.B. 1045 will harm Maryland by discouraging business activity in the State, which will negatively impact investment and jobs. Approximately 42% of Maryland's current sales tax base consists of business inputs, and taxing additional business inputs will increase that share, thereby directly increasing the costs to conduct business in Maryland and reducing the competitiveness of Maryland businesses. S.B. 1045 places significant administrative burdens on Maryland businesses, many of which do not currently collect and remit sales tax on the services they provide and leaves many critical questions about how to administer the tax unanswered. Although S.B. 1045 purports to impose this new tax on businesses, the ultimate incidence of the tax will be borne by Maryland citizens and therefore will negatively impact Marylanders' economic well-being and the State's economic development efforts.

We strongly encourage you to reject this new tax on business inputs and urge an unfavorable report.

Respectfully,

Patrick J. Reynolds Douglas L. Lindholm Leonore F. Heavey

cc: COST Board of Directors

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[6] See https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fair-efficient-and-customer-focused-tax-administration---revised-feb-2024---final.pdf.

HB1554 & SB1045 Opposition Letter.pdf
Uploaded by: Paul Evenson
Position: UNF

Paul Evenson
3602 Yolando Road
Baltimore, MD 21218
paule@bctdesigngroup.com
3/10/2025

The Honorable Mary Washington
104 James Senate Office Building
11 Bladen St., Annapolis, MD 21401

Subject: Opposition to HB 1554/SB 1045

Dear Representative Washington,

I am writing to express my strong opposition to Maryland House Bill 1554/Senate Bill 1045. As a concerned constituent, I believe that this proposed legislation will have significant negative consequences for Architects, Interior Designers, Graphic Designers, Landscape Architects, and others in the design profession.

This bill raises several concerns, including financial burden, impact on the local economy, competitiveness of fees from designers from other states and countries, among just a few. If enacted, HB 1554/SB 1045 would increase the cost of essential services such as payroll, bookkeeping, consulting, IT support, marketing, and consulting—all services that architecture firms rely on to operate efficiently and stay competitive. This tax would increase the cost of these essential services, forcing firms to cut expenses elsewhere—which could mean fewer resources for hiring, software investments, and professional development.

We would also be burdened with a competitive disadvantage – unlike Virginia and Delaware, which do not impose sales tax on these services, Maryland firms would face higher operating costs, making it harder to compete for projects regionally. This would also prevent us from investing in cutting-edge technology, sustainability initiatives, and professional training, as we will have to divert funds to cover new tax expenses. The higher overhead will ultimately affect clients, leading to increased design fees or reduced budgets for important projects, including historic preservation, sustainability upgrades, and community developments.

This bill will be detrimental to our business and ultimately force us to reduce our employment as our business slowly erodes because of this tax. I urge you and your colleagues to reconsider this bill and explore solutions that better balance the interests of all stakeholders.

I respectfully request that you vote against HB 1554/SB 1045 and work toward legislation that more equitably addresses the issue at hand. Thank you for your time and consideration. I appreciate your service to our community and welcome any opportunity to discuss this matter further.

Sincerely,
Paul Evenson
3602 Yolando Road, Baltimore, MD 21218
paule@bctdesigngroup.com
443-825-5481

cc: Delegate Regina T. Boyce, Delegate Elizabeth M. Embry

SB 1045 - Wash. Co. Chamber.pdf
Uploaded by: Paul Frey
Position: UNF

the chamber
WASHINGTON COUNTY, MD

1 South Potomac St.
Hagerstown, MD 21740
301-739-2015
HAGERSTOWN.ORG

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

On Behalf of the Washington County Chamber of Commerce, representing 675 member organizations with over 40,000 employees, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While our members understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For all our member organizations, located near three state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

Again, on behalf of the Washington County Chamber of Commerce, representing 675 member organizations with over 40,000 employees, I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Paul Frey

Paul Frey, IOM
President and CEO

SB 1045 OPPOSITION.pdf
Uploaded by: Randy Rachor
Position: UNF

ALBRIGHT CRUMBACKER MOUL & ITELL
Certified Public Accountants & Business Consultants

1110 Professional Court, Suite 300
Hagerstown, MD 21740
p 301.739.5300 | f 301.739.5332

212 Lutz Avenue
Martinsburg, WV 25404
p 304.264.2004 | f 304.264.2005

www.albrightcpa.com

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee:

As a local CPA firm, we write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses
Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes
Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region
This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. Since our business, and many of our clients' businesses, are located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

ALBRIGHT CRUMBACKER MOUL & ITELL
Certified Public Accountants & Business Consultants

1110 Professional Court, Suite 300
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212 Lutz Avenue
Martinsburg, WV 25404
p 304.264.2004 | f 304.264.2005

www.albrightcpa.com

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect
Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

ALBRIGHT CRUMBACKER MOUL & ITELL LLC
Certified Public Accountants & Business Consultants

Randy A Rachor

Randy A Rachor, CPA, CFP, Partner

Kery J Swope, CPA, CVA, Partner

R. Kert Shipway, CPA, Partner

Paul M Cunningham, CPA, CVA, Partner

Jodi L Austin

Jodi L Austin, CPA, Partner

Pam Donohue

Pam J Donohue, CPA, Partner

MDDC Oppose SB1045.pdf
Uploaded by: Rebecca Snyder
Position: UNF

Maryland | Delaware | DC Press Association
P.O. Box 26214 | Baltimore, MD 21210
443-768-3281 | rsnyder@mddcpress.com
www.mddcpress.com

To: Budget & Tax Committee

From: Rebecca Snyder, Executive Director, MDDC Press Association

Date: March 10, 2025

Re: SB 1045 - OPPOSE

The Maryland-Delaware-District of Columbia Press Association represents a diverse membership of newspaper publications, from large metro dailies such as the Washington Post and the Baltimore Sun, to hometown newspapers such as the Star Democrat and Maryland Independent, to publications such as The Daily Record, Baltimore Jewish Times, and online-only publications such as the Baltimore Banner, Maryland Matters and Baltimore Brew.

The Press Association strongly opposes the inclusion of advertising and printing services in SB 1045 and requests that these services (NAICS codes 5131, 5418, 3231**)** be exempted from the legislation. We oppose including advertising and printing in the sales and use tax for three reasons: one, this bill will choke advertising revenues; two, the bill as written is vague and impractical to comply with; and three, we believe it violates the First Amendment.

Advertising taxes choke economic growth.

Other states have attempted a broad advertising tax. **They have failed**. Arizona, Iowa and Florida each passed broad advertising taxes years ago and each state later repealed the tax. Since 1987, when Florida repealed its advertising sales tax, 40 states have considered and rejected the idea. Florida's experience is instructive. Advertising fell by 12 percent, and the tax was extremely difficult to administer. The tax was repealed in a special session five months after it took effect. **A sales tax on advertising would slow economic growth.** When the cost of advertising goes up, there is less advertising, which leads to less consumer demand. Lower consumer demand reduces revenue, creates fewer jobs, slows the economy and reduces its usefulness as a revenue source. The members of MDDC Press Association connect many local small businesses to advertising in a variety of forms, both digital and print, and many act as agencies to secure the best value for clients' marketing dollars. Our members rely on advertising revenues to be able to cover their local markets and any diminishment of that revenue could prove catastrophic.

Many of our members, most of whom are small businesses, are fighting tooth and nail for economic survival, as declining print circulation and loss of print subscription revenue forces the newspaper industry to look to advertising revenue to try to make up the shortfall. Add to this looming tariffs on newsprint and other raw materials, additional burdensome taxes make the critical services of news media almost untenable.

Vague language and complex administration create confusion.

The bill would be difficult for our members to comply with, and would create an undue burden. The sales and use tax is a consumption tax imposed on an end product, not on an intermediate step such as advertising. Advertising is a communications process that helps produce the final sale of a product, which is most like already subject to the sales tax, thus layering tax upon tax. Ironically, less advertising leading to fewer sales could actually lead to reduced tax revenue.

On a practical level, the term advertising may encompass many services, including not only the ads one sees within a browser or app, but also targeting technology, website creation, email marketing search engine optimization, branded content and others. The field is rapidly changing and new services are being developed all the time. **How will Maryland manage the complex administration required to ensure that the tax is being reported properly?** Is this tax for advertising placed only in Maryland, or will it be levied on all advertising services purchased from agencies within the Maryland state lines?

Further, we believe our members and the vibrant advertising agency community in the area would be disadvantaged when bidding on marketing and advertising contracts from out of area advertisers. **Will Maryland be as attractive to those advertisers when their marketing dollar does not go as far? We believe the answer is no.**

Taxing advertising speech is a violation of the First Amendment.

This bill would tax speech itself (the advertising) rather than the underlying economic or business transactions. For example, the Maryland Court of Appeals has held that municipal taxes on advertising media were unconstitutional for singling out for taxation newspapers and radio and television stations entitled to first amendment immunities. *(City of Baltimore v. A.S. Abell Co., 218 Md. 273, 145 A.2d 111 (1958))*. **The same constitutional concerns that the court found in that case apply here.**

The members of Press Association are opposed to the inclusion of advertising and printing services in SB1045 and ask that those services are struck from the bill. Barring that change, we urge an unfavorable report.

SB 1045.pdf
Uploaded by: Rev. Alvin Hathaway
Position: UNF

BELOVED COMMUNITY
Services Corporation
BUILD RESTORE EMPOWER

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth. Also, non-profit organizations, in complex real estate transactions using tax credit instruments will discover that the LLC's and/or LP's they create to facilitate those transactions would be subject to the B2B service tax, thus creating a disincentive to using those types of structures further limiting investment in needed communities.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For firms located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

25 West Fayette Street
6th Floor
Baltimore, MD 21201
www.belovedcorp.com

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Dr. Alvin C. Hathaway, Sr.,

President/CEO

FREDERICK COUNTY
CHAMBER OF COMMERCE

Senate Bill 1045
Date: March 12, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chairman Guzzone and Members of the Committee,

As the President & CEO of the Frederick County Chamber of Commerce, representing 960 member companies, most of which employ fewer than 50 employees, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, human resources, payroll services, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness.

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. Since most of our businesses are currently located within minutes of the Virginia, West Virginia and Pennsylvania state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Adding a sales tax on services that every small business requires is a deeply flawed policy choice. Adding it in an uncertain economy, with continued revenue write-downs and shifting federal priorities is even worse. Please resist the temptation to generate new revenue by taxing Maryland's employment and economic opportunity creators.

Sincerely,

Richard B. Weldon, Jr.
President/CEO

118 N. Market Street, Suite 100, Frederick, MD 21701
frederickchamber.org / 301.662.4164 /

Opposition to HB 1554 SB1045.pdf
Uploaded by: Richard Wolf
Position: UNF

My name is Richard Wolf, CPA/ABV, CFE, CVA. I am a partner at the Maryland accounting firm of Gross Mendelsohn & Associates, PA. I am writing to oppose HB 1554 / SB 1045, "Sales and Use Tax - Taxable Business Services - Alterations". This bill, which would impose a sales tax on services provided by one business to another, would have a significant impact on not only my accounting firm, but also on the hundreds of small businesses that we represent across the state.

Small businesses, like the majority of our clients, will bear the biggest burden if this bill is passed. The bill will impact small businesses as follows:

- **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.

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.

In short, this bill is bad for all Maryland businesses. It is bad for my accounting firm, a firm that employs approximately 100 Marylanders, and bad for the hundreds of Maryland businesses that we represent.

SB 1045 - Sales and Use Tax - Taxable Business Ser

Uploaded by: Robert Cassilly

Position: UNF

Robert G. Cassilly
Harford County Executive

Robert S. McCord
Director of Administration

March 10, 2025

Senator Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: Letter of Opposition to Senate Bill 1045 – Sales and Use Tax – Taxable Business Services - Alterations

Dear Madam Chair and Members of the Committee:

This legislation currently before you today presents substantial concerns to Harford County, and many of Maryland's other counties.

As presented, this legislation presents another threat to the operation not only to a number of small businesses in the County, but to the County itself. If enacted, SB 1045 would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

As others have also noted, we recognize that Maryland currently faces budget challenges. Implementing this tax on small businesses, however, serves only as a short-term effort that will eventually add to significant long-term problems for Maryland's economy and competitiveness.

Like many counties throughout Maryland, small businesses constitute a substantial number of commercial operations in the State, employing local residents and generating several revenue streams that remain within their collective areas.

Also like many counties in Maryland, Harford County either directly borders another State (Pennsylvania to the north), or lies within a brief distance of another State (Delaware). It would not be outside the realm of probability that by simply relocating that business to those other states, the additional tax can be avoided. Should that happen, a number of Maryland residents of these small businesses may lose their local employment, local businesses lose a local partner, and Maryland loses that 2.5% tax revenue that prompted this in the beginning.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.
Thank you.

Yours truly,

Bob Cassilly

Senate Bill 1045 - FCAE.pdf
Uploaded by: Robert Faith
Position: UNF

SB 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Rob Faith
Faith Claims Adjusting & Estimating
1622 Bond Road
Parkton MD 21120
rfaith@faithadjusting.com

Dear Chair Guzzone and Committee Members,

I'm writing to you today as a concerned local business owner to strongly oppose Senate Bill 1045, which would create a new 2.5% tax on essential business-to-business services that my company relies on daily.

While I recognize Maryland's budget challenges, this new tax on accounting, IT, consulting and other critical services is a shortsighted solution that will further damage our state's business climate and competitive position. Here's why I believe this legislation would be harmful:

The tax structure creates a "pyramiding" effect where services get taxed multiple times throughout the supply chain, ultimately leading to higher prices for Maryland consumers.

This tax puts Maryland businesses at a severe disadvantage. Our neighbors in Virginia and Delaware don't impose similar taxes on business services. For businesses like mine near state borders, this creates a powerful incentive to work with out-of-state service providers, while Maryland service companies will be tempted to relocate across state lines.

Unlike traditional sales taxes on final products, this B2B tax creates a "tax on tax" scenario where services taxed throughout production result in significantly higher costs than the 2.5% rate suggests.

I believe the best way to address Maryland's fiscal challenges is through policies that encourage business growth, not new taxes that stifle it. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I strongly urge you and your colleagues to reject SB 1045 and instead support policies that help Maryland businesses succeed.

Sincerely,

Rob Faith
Owner
Faith Claims Adjusting & Estimating

HB1554 opposition letter 01.pdf

Uploaded by: Robert Gehrman

Position: UNF

Robert W. Gehrman, AIA
112 Oak Drive
Catonsville, Maryland 21228

March 10, 2025

The Honorable Charles E. Sydnor, III
216 James Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Subject: Opposition to HB 1554/SB 1045

Dear Representative Sydnor,

I am writing to express my strong opposition to Maryland House Bill 1554/Senate Bill 1045. As a concerned constituent, I believe that this proposed legislation will have significant negative consequences for Architects, Interior Designers, Graphic Designers, Landscape Architects, and others in the design profession.

This bill raises several concerns, including financial burden, impact on the local economy, competitiveness of fees from designers from other states and countries, among just a few. If enacted, HB 1554/SB 1045 would increase the cost of essential services such as payroll, bookkeeping, consulting, IT support, marketing, and consulting—all services that architecture firms rely on to operate efficiently and stay competitive. This tax would increase the cost of these essential services, forcing firms to cut expenses elsewhere—which could mean fewer resources for hiring, software investments, and professional development.

We would also be burdened with a competitive disadvantage – unlike Virginia and Delaware, which do not impose sales tax on these services, Maryland firms would face higher operating costs, making it harder to compete for projects regionally. This would also prevent us from investing in cutting-edge technology, sustainability initiatives, and professional training, as we will have to divert funds to cover new tax expenses. The higher overhead will ultimately affect clients, leading to increased design fees or reduced budgets for important projects, including historic preservation, sustainability upgrades, and community developments.

This bill will be detrimental to our business and ultimately force us to reduce our employment as our business slowly erodes because of this tax. I urge you and your colleagues to reconsider this bill and explore solutions that better balance the interests of all stakeholders.

I respectfully request that you vote against HB 1554/SB 1045 and work toward legislation that more equitably addresses the issue at hand. Thank you for your time and consideration. I appreciate your service to our community and welcome any opportunity to discuss this matter further.

Sincerely,
Robert Gehrman, AIA

SB 1045.pdf
Uploaded by: Robert Huey
Position: UNF

SB 1045

Wanted to comment on the proposed bill to charge sales tax on professional services including accounting services.

I think this would not be a smart move by the State of Maryland.

A couple of reasons

- I have two offices in the DC area. One in Bethesda and one Herndon VA and we would most likely close the Bethesda office and move the business to Virginia.
- How do you enforce this?

Thanks,

Rob

Robert D Huey, CPA

7201 Wisconsin Avenue, Suite 775
Bethesda, MD 20814-4875
Phone - 301-951-3744   I   Fax - 301-907-0149
www.hueyassociates.com

SB 1045 -Testimony.pdf

Uploaded by: robin bugos

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting/payroll, vehicle maintenance/repair, tax preparation, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Rob & Robin Bugos

Owner/Operator

In10se BBQ Catering & Food truck

Sales tax statement SB 1045 03.12.25 v2.pdf
Uploaded by: Rolf Lundberg
Position: UNF

Statement In Opposition by Choice Hotels International, Inc.
Wednesday, March 12, 2025
Senate Budget and Taxation Committee
SB 1045

Choice Hotels International, Inc., headquartered in North Bethesda, MD, submits these comments in opposition to Senate Bill 1045, which would impose sales tax on a broad array of business to business services.

Sales Tax on B2B Services

Choice Hotels is opposed to the imposition of sales tax on services provided to businesses in Maryland. This would constitute an unprecedented, job-killing tax on businesses that have invested in the state.

Maryland recently expanded its sales tax base, and then quickly reversed course when it realized the damaging effect this would have on businesses based in Maryland and on the state's economic base.

Such a tax would represent bad tax policy because it imposes tax at many levels of the supply chain rather than simply collecting tax on the end-user of taxable goods and services. This measure is an example of "tax-pyramiding" imposing multiple layers of non-transparent taxation leading to inefficient economic outcomes.

Maryland might enjoy a brief uptick in sales tax revenue if this bill becomes law, but the state would certainly suffer from reduced tax revenue as businesses begin to re-locate offices, facilities and other operations outside the state.

Choice Hotels appreciates the opportunity to provide these comments on Senate Bill 1045.

About Choice Hotels

Choice Hotels International, Inc., headquartered in North Bethesda, MD, is one of the largest lodging franchisors in the world. The one to watch in upscale and a leader in midscale and extended stay, Choice Hotels has over 7,500 hotels, representing nearly 635,000 rooms, in 45 countries and territories. A diverse portfolio of 22 brands that range from full-service upper upscale properties to midscale, extended stay and economy enables Choice Hotels to meet travelers' needs in more places and for more occasions while driving more value for franchise owners and shareholders.

AAF Baltimore Letter to Budget and Taxation – Adve
Uploaded by: Ronaldo Sellers
Position: UNF

aaf baltimore

Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Good afternoon,

My name is Ronaldo J. Sellers, and I serve as Government Relations Chair for AAF Baltimore (AAFB). I am a professional media producer and voice actor with over 21 years of experience in the industry. I am submitting this testimony on behalf of businesses, creatives, and entrepreneurs who rely on advertising to drive growth and opportunity.

We strongly oppose the proposed 2.5% sales tax on advertising services outlined in HB 1554 and SB 1045, as it poses serious risks to Maryland's economy, businesses, and workforce.

First, this tax will drive businesses to neighboring states like Virginia, Pennsylvania, and Delaware, which do not impose similar taxes. Clients will shift their spending elsewhere, leading to revenue loss and job cuts in Maryland. This puts local agencies—particularly small ones—at a disadvantage, undermining their ability to compete and grow.

Second, history shows us the dangers of this approach. In 1987, Florida's advertising tax led to the loss of 14,000 jobs and was repealed within six months because the economic damage was too severe. Maryland risks experiencing the same adverse effects on our business community and economy.

Third, this tax will have a ripple effect across Maryland's economy. Businesses in all sectors rely on advertising to grow, and higher costs will reduce marketing budgets, which will slow economic activity and stifle innovation across the state.

Finally, the administrative burden this tax would create is too great, especially for smaller agencies that already operate with limited resources. The complexity of compliance would divert attention and resources away from growing businesses and serving clients, further hindering their ability to thrive.

This tax weakens Maryland's economy. Instead of fostering growth, it pushes businesses out and harms job creation. I urge this committee to reject this bill and pursue revenue solutions that support business growth without placing unnecessary burdens on Maryland's economy.

Thank you for your time and consideration.

Sincerely,

Ronaldo J. Sellers
Government Relations Chair
American Advertising Federation Baltimore
ronaldo@baltimoreadvertising.com

aaf® baltimore
baltimoreadvertising.com

2025 - HB 1554:SB1045- MDDCCUA- .pdf
Uploaded by: Rory Murray
Position: UNF

MD|DC
Credit Union Association

March 12, 2025

The Honorable Guy Guzzone
Senate Budget and Taxation Committee

The Honorable Vanessa Atterbeary
House Ways and Means Committee

RE: House Bill 1554 / Senate Bill 1045 – Sales and Use Tax - Taxable Business Services - Alterations
Position: ***Oppose***

Chairs Guzzone and Atterbeary & Committee Members:

The MD|DC Credit Union Association is a trade association representing over 65 credit unions in Maryland, along with their more than 1.9 million members. On behalf of the association, I am writing to express our ***opposition*** to Senate Bill 1045 / House Bill 1554.

This bill would impose a new 2.5% tax on a wide range of business services, significantly increasing costs and creating unnecessary burdens for companies of all sizes. Businesses already face numerous expenses to maintain operations, and adding this additional tax would only further strain their financial resources. The broad scope of the tax would impact various industries, making it more expensive for businesses to access essential professional services. This could lead to reduced investments in critical areas such as legal counsel, consulting, and financial planning, ultimately affecting overall business growth and stability. Rather than fostering economic development, this new tax would create hurdles for businesses, potentially discouraging entrepreneurship and expansion.

Specific to credit unions, the new tax on financial planning services under NAICS code 5239 is particularly problematic. Businesses that rely on credit unions for financial planning advice should not have to bear an extra tax for these essential services. Financial planning is a key tool in helping individuals and businesses protect their assets and make informed decisions about their financial future. If a company chooses to work with a credit union to provide financial planning services for its employees, this tax would make it more costly to offer such valuable guidance. In an economy where financial literacy is crucial, imposing additional costs on services that promote responsible money management is counterproductive. Rather than penalizing businesses for seeking financial stability, the government should encourage access to affordable financial planning resources.

Thank you for your time and consideration. We welcome the opportunity to discuss this issue further.

Sincerely,

John Bratsakis
President/CEO
MD|DC Credit Union Association

ACEC:MD- HB1554:SB1045.pdf
Uploaded by: Rory Murray
Position: UNF

ACEC/MD

AMERICAN COUNCIL OF ENGINEERING COMPANIES/MARYLAND

March 12, 2025

The Honorable Guy Guzzone, Chairman
Senate Budget and Taxation Committee

The Honorable Vanessa Atterbeary
House Ways and Means Committee

RE: House Bill 1554 / Senate Bill 1045 – Sales and Use Tax - Taxable Business Services - Alterations
Position: ***Oppose***

Chairs Guzzone and Atterbeary & Committee Members:

The American Council of Engineering Companies/Maryland (ACEC/MD) is the engineering industry's business association representing 90 companies that employ approximately 7,000 employees statewide. Many of our members are engaged in the design of public water and wastewater systems, bridges, highways, building structures and environmental projects. On behalf of the association, I am writing to express our ***opposition*** to Senate Bill 1045 / House Bill 1554.

This bill would impose a new 2.5% tax on a wide range of business services, increasing costs and creating unnecessary burdens for companies of all sizes.

The bill specifically targets essential services that businesses rely on every day, including:

- **Accounting, payroll, and financial services** – making it more expensive for businesses to handle bookkeeping and taxes.
- **Office support and IT services** – adding costs to vital back-office operations and technology infrastructure.
- **Staffing and contractor services** – making it harder for businesses to hire temporary workers or consultants.
- **Repair services for vehicles and equipment** – making it more costly for businesses to maintain operations.
- **Consulting services, including engineering and environmental consulting** – directly impacting firms that provide critical support for infrastructure, ecological restoration, and regulatory compliance. This would **increase costs for state-funded projects**, ultimately burdening taxpayers.

The tax on consulting services under NAICS Sector 5416 is particularly concerning, which includes management, environmental, and scientific consulting. **Many of our member engineering and ecological restoration firms provide these services to support infrastructure development, stormwater management, and environmental compliance for government clients. Taxing these services will make it more expensive for businesses and**

even for the state itself as the client, as public projects will see increased costs due to higher contractor expenses.

Thank you for your time and consideration. We welcome the opportunity to discuss this issue further.

Sincerely,

Maria Donovan
mdonovan@acecmd.org

CWRP - HB1554:SB1045.pdf
Uploaded by: Rory Murray
Position: UNF

March 12, 2025

The Honorable Guy Guzzone, Chairman
Senate Budget and Taxation Committee

The Honorable Vanessa Atterbeary
House Ways and Means Committee

RE: House Bill 1554 / Senate Bill 1045 – Sales and Use Tax - Taxable Business Services - Alterations
Position: ***Oppose***

Chairs Guzzone and Atterbeary & Committee Members:

The Chesapeake Watershed Restoration Professionals (CWRP) was founded in November of 2020 and represents Maryland professionals whose daily work improves the health of Maryland's waters and our prized Chesapeake Bay. Many of our members are engaged in the design of public water and wastewater systems and environmental projects. On behalf of the association, I am writing to express our ***opposition*** to Senate Bill 1045 / House Bill 1554.

This bill would impose a new 2.5% tax on a wide range of business services, increasing costs and creating unnecessary burdens for companies of all sizes.

The bill specifically targets essential services that businesses rely on every day, including:

- **Accounting, payroll, and financial services** – making it more expensive for businesses to handle bookkeeping and taxes.
- **Office support and IT services** – adding costs to vital back-office operations and technology infrastructure.
- **Staffing and contractor services** – making it harder for businesses to hire temporary workers or consultants.
- **Repair services for vehicles and equipment** – making it more costly for businesses to maintain operations.
- **Consulting services, including engineering and environmental consulting** – directly impacting firms that provide critical support for infrastructure, ecological restoration, and regulatory compliance. This would **increase costs for state-funded projects**, ultimately burdening taxpayers.

The tax on consulting services under NAICS Sector 5416 is particularly concerning, which includes management, environmental, and scientific consulting. **Many of our member firms provide these services to support infrastructure development, stormwater management, and environmental compliance for government clients. Taxing these services will make it**

more expensive for businesses and even for the state itself as the client, as public projects will see increased costs due to higher contractor expenses.

Thank you for your time and consideration. We welcome the opportunity to discuss this issue further.

Sincerely,

Liam O'Meara
President
Chesapeake Watershed Restoration Professionals

SB1045 - Oppose.pdf
Uploaded by: Ryan Barnoski
Position: UNF

Dear Senator Hettleman:

I strongly oppose SB 1045. I am a practicing CPA at Lanigan Ryan, PC a MD based CPA firm where our office is located in MD and hope to keep it in MD. These changes will significantly impact on our firm as well as our clients located in MD. Our office comprises of 50% of MD residents and 50% of VA residents who make the commute to work in MD, we like working in MD. If HB 1554 passes we will strongly consider moving our office to VA as it does not make sense to stay in MD if this passes, these changes will not just affect tax revenue but will affect the small businesses that we utilize to go out to lunch, fill up our gas tanks, go to local stores at lunch, etc. We will do our best to remove our footprint in MD and encourage our multi-million-dollar clients/decision makers to do so as well.

I appreciate your consideration or opposing SB 1045.

Ryan Barnoski, CPA
Partner
Lanigan Ryan, PC
301-258-8900

TESTIMONY PRESENTED TO THE
BUDGET AND TAXATION COMMITTEE

SENATE BILL 1045

SALES AND USE TAX - TAXABLE BUSINESS SERVICES – ALTERATIONS

SAM BELL
EDWARDS PERFORMANCE SOLUTIONS

POSITION: AGAINST

March 10, 2025

Chair Guzzone, Vice Chair Rosapepe, and Members of this Committee, thank you for the opportunity to submit testimony against Senate Bill 1045. I would urge you to vote against this bill as the modifications proposed would have a negative impact upon local businesses in numerous ways.

Businesses throughout the State rely on numerous service providers to perform key functions, including talent acquisition, proposal development, information technology, security, compliance, legal, accounting, as well as those used to deliver value to their customers.

This reliance on external service providers is especially the case for the small and mid-sized business, as larger organizations have the capacity to bring these functions in house. As a result of the difference in scale, this bill amounts to a tax on small and mid-size businesses, as they will not be able to pass these costs along to their customers as they continue to compete with larger organizations that do not incur the tax.

This bill also weakens the cybersecurity posture of almost every business in the state. There is an extensive reliance on managed service and security providers, external compliance assessment and audit firms, penetration testing firms providing the very specialized skills that are needed to operate securely in our connected world. The budgets for these necessary operational expenses are already tight due to the complexity required to protect the average business today. Adding 2.5% cost to all these services will force business leaders to make trade-offs in the level of service they receive. As a virtual CISO, I have seen numerous times where operational needs required to operate the business take priority over cybersecurity spend. The net effect is that overall cybersecurity budgets stand to be negatively impacted by this tax, making Maryland businesses more vulnerable to attack.

Maryland companies and residents are already reeling from layoffs and uncertainty in the Government sector. The ripple effect in the Service sector is already being felt, as people scale back their reliance on services they can afford to do themselves or do without. This tax, especially at this time, will only drive further belt-tightening by businesses and residents, and will only add to the challenges that Maryland businesses and residents are facing.

Maryland's tech sector, in particular, has been negatively impacted by less favorable conditions than those enjoyed by firms in neighboring states. All one needs to do to see this is to drive across the bridges both north and south, you can physically see the disadvantage Maryland businesses face out of the gate. New start-up businesses will look at this tax as another reason to locate in a more business friendly state on one of our borders.

I respectfully request you to vote against Senate Bill 1045. The bill will have a disproportionate impact to small and mid-size businesses if passed. The bill will also force businesses to make trade offs in operational spend, likely at the expense of their cybersecurity posture. This tax, on top of the uncertainty resulting from layoffs, will only make business more difficult in Maryland. The laws we pass should protect Maryland residents and businesses, instead of making life harder and more expensive, especially in these uncertain times.

Thank you for your consideration.

Sam Bell
Chief Information Security Officer
Edwards Performance Solutions

luxenburg
&bronfin
CERTIFIED PUBLIC ACCOUNTANTS

To: State Senators
Committee: Budget & Taxation
Bill: SB1045
Date of Hearing: March 12, 2025

From: Shmuel Luxenburg, CPA
E-mail: sam@landbcpa.com
Cell: 443-310-5462

Dear Honored Representative,

If my method of addressing your gathering is not in line with protocol, please accept my humblest of apologies.

I am not an individual who is of strong vocal opinion and certainly not one to lobby complaints about our great State. I have, however, reached a point where I can no longer remain silent in the face of what so many consider to be a constant assault on the finances of taxpayers. While I strongly considered raising my concerns via virtual testimony, I opted for written testimony for fear that my frustrations would lead to my inability to properly express my thoughts and opinion on this matter.

It cannot be taken lightly that your hearing on this proposal is occurring during the busiest time of year for those that it impacts most. I find the disconnect to be glaring. I would like anyone reading this to note that I have carved out time from a 60 hour workweek to express my displeasure that a Bill such as this one, at a time of nearly unprecedented rising costs, could even be considered.

As a CPA, I work hand in hand with my clients and their businesses in an effort to operate in an efficient and responsible fashion. This is done so in order to ensure profitability. In private industry this is a must, as failure does not allow a business owner to simply take funds from the bank account of others to cover their shortfall. In the scenario of a business expending more than it collects, it is fairly obvious that their doors will need to close. Unfortunately, attaining profitability has become increasingly challenging in the face of rising costs for nearly every line item on the expense side of the “P&L”. This holds true for individual taxpayers as well.

Our esteemed Governor stated during the 2025 opening session that he would avoid tax increases and budget cuts, focusing instead on growing the State’s economy. Governor Moore stated that “anyone who simply thinks you can tax your way to prosperity doesn’t know what they’re talking about”. The proof to this accurate statement comes from the fact that a number of States which border ours have a budget surplus while we face a $3B shortfall that is projected to grow to $6B in five years. Delaware has a surplus without the “benefit” of a sales tax! So I ask you, what are we doing wrong in Maryland and how is it corrected? Do we correct this by taxing more vital services, thereby continuing to drive out taxpayers and businesses from our State? When and how does this end?

I would be very happy to further discuss this specific Bill, or other matters indirectly related to this bill such as the incredible difficulties CPA’s experience with reporting to the State on various levels. The latter has made the CPA a dying profession in our State, and I believe that this proposed Bill will be the nail in the coffin.

I greatly appreciate your willingness to consider the words of Maryland taxpayer, CPA and business owner.

Written testimony - SB 1045.pdf

Uploaded by: Sarah Baca-Asher

Position: UNF

Written testimony

I am writing as a CPA and a controller at a law firm in Maryland to express my strong opposition to SB 1054. This bill would impose a tax on professional services, which would directly harm Maryland's small businesses and economy.

Although my firm's services are legal services and exempt under this current proposal, this puts us at a competitive disadvantage by increasing the costs we incur for professional services, such as tax preparation, payroll and IT services. We compete against laws firms across the country, and because large companies make up most of our clientele, the fees we can charge are largely capped. One of our biggest challenges are rising costs in a high cost of living area. This bill would put us at a significant risk of not continuing as a Maryland business, where we currently employ 23 Marylanders, pay hundreds of thousands of dollars to local businesses, and pay both real estate and personal property tax on our office space.

If enacted SB 1054, it would:

- **Increase costs for small businesses** already struggling with inflation and economic uncertainty.

- **Drive business out of Maryland** as companies seek services in states without this tax.

We need to protect Maryland's businesses, jobs, and economy and <u>SB 1054 would not do that</u>.

Thank you for your time and consideration.

Sincerely,
Sarah Baca-Asher
Edell, Shapiro & Finnan, LLC

SB 1045 -Seth Balsam Testimony_7March2025_SIGNED.p
Uploaded by: Seth Balsam
Position: UNF

priddy
CHIMNEY SOLUTIONS
12200 Kiln Court, Suite B
Beltsville, MD 20705

Senate Bill 1045
Date: March 7, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local small business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others. **I have estimated the impact for my business to be over $6750 annually – a staggering amount.**

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses
Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes
Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region
This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for

priddy
CHIMNEY SOLUTIONS
12200 Kiln Court, Suite B
Beltsville, MD 20705

Maryland businesses. For my business and those located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Addition of a Another Burden in a Highly Uncertain Economic Environment
While every small business owner by nature operates with some degree of uncertainty, the level of chaos in today's economic environment in our geography is unprecedented. Our business is already seeing the repercussions of the chaotic and unscripted Federal workforce changes coming out of Washington, D.C., with an increasing number of customers deferring or outright canceling work.

Asking a small business to layer additional costs onto a stressed consumer base is problematic at best, existentially threatening at worst.

Cascading Tax Effect
Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic

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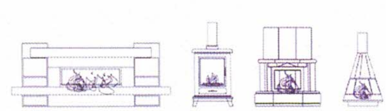
CHIMNEY SOLUTIONS
12200 Kiln Court, Suite B
Beltsville, MD 20705

expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Seth Balsam
Owner, Managing Member
Priddy Chimney Solutions



SB1045 - MSBA Opposition Letter (2025.03.10).pdf
Uploaded by: Shaoli Sarkar
Position: UNF

MSBA
MARYLAND STATE
BAR ASSOCIATION

MSBA Main Office
520 West Fayette Street
Baltimore, MD 21201
410-685-7878 | msba.org

Annapolis Office
200 Duke of Gloucester Street
Annapolis, MD 21401
410-269-6464 | msba.org

To:	Members of the Senate Budget and Taxation Committee
From:	Maryland State Bar Association (MSBA)
Subject:	SB 1045 – Sales and Use Tax – Taxable Business Services - Alterations
Date:	March 10, 2025
Position:	**Oppose**

The Maryland State Bar Association (MSBA) **opposes** Senate Bill 1045 – Sales and Use Tax – Taxable Business Services – Alterations. SB 1045 alters the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifies the rate of the sales and use tax for certain labor and services.

MSBA represents more attorneys than any other organization across the state in all practice areas. Through its advocacy committees and various practice-specific sections, MSBA monitors and takes positions on legislation that protects the legal profession, preserves the integrity of the judicial system, and ensures access to justice for Marylanders.

MSBA appreciates the magnitude of Maryland's current budget constraints and the need to secure funding for essential state priorities. However, the proposed tax is not an equitable solution for Maryland businesses or individuals seeking legal services. Given the everyday services included in the proposed tax, SB 1045 would negatively impact a number of Maryland businesses, attorneys, law firms, and individual clients by:

- **Decreasing the competitiveness of Maryland businesses and law firms,**
- **Reducing the affordability of legal services for small businesses, and**
- **Increasing costs and limiting access for vulnerable populations to pro bono and legal service providers.**

SB 1045 Discriminates Against Small Businesses, Including Solo and Small Law Firms

MSBA expects this bill will result in negative consequences to doing business in Maryland. It may also motivate Maryland businesses to relocate to other states and cause service recipients to turn away from Maryland service providers, in favor of service providers from other states.

A. **Increased Costs of Everyday Services.** Businesses require the services that are subject to this bill. Small businesses that lack the ability to staff these services internally may be especially disadvantaged. Those small businesses will need to seek these services externally and, under the proposed bill, suffer an added cost for doing so. Larger businesses that can internalize these services will have an unfair advantage, as they will not have to pay the tax to receive the benefit of the same service. Small businesses may choose or be forced to forego services altogether, even on important business considerations. Alternatively, small businesses may choose to relocate to other states in order to afford cheaper services for themselves.

B. **Taxable Businesses Face Mounting Financial and Administrative Hardships.** The bill is especially harsh to Maryland small businesses that provide the services subject to this bill. Those businesses will be forced to dedicate additional time, money, and resources to complying with tax collection laws and to track, calculate, and apply the tax on their billings and receivables. Again, small businesses will be disadvantaged where they cannot afford to bring those compliance services in-house. Instead, the tax will hit their bottom line, twice. First as a tax on the services they already provide (increasing their customer's price), and second as a tax on new services they'll need to hire, simply to ensure compliance with the bill (adding to their overhead). Again, these businesses may seek to relocate to avoid this compounding burden.

C. **The Proposed Tax Weakens the Ability of Maryland Attorneys to Serve Clients. In Maryland, the majority of attorneys in private practice are solo practitioners or work in small firms with fewer than five attorneys, most often representing individual clients and small businesses.** These firms fall within the definition of "business entities" in SB 1045 and would face an increased 2.5% tax on routine services, including but not limited to: accounting, bookkeeping, billing, and payroll; design and printing; marketing, public relations, and lobbying; financial planning and tax preparation; and data, website, and IT services. MSBA members in small firms routinely report increasing costs due to inflation, cybersecurity threats, technology upgrades, and a competitive market, as well as spending too much time on administrative tasks. SB 1045 will further increase firm costs and time spent on non-billable hours and take away resources to acquire new clients. Attorneys barred in multiple jurisdictions may choose to practice in neighboring states without a business services tax, thereby reducing Maryland clients' accessibility to legal services. Private attorneys who regularly engage in pro bono services for clients may not be able to dedicate as many hours to free legal services, given these additional costs and administrative burdens to their regular practice.

SB 1045's Tax Will Be Passed On to Clients of Legal Services and Reduce Access to Justice

A. **The Proposed Tax Will Impact Access to Legal Services in Critical Areas.** The proposed tax and additional administrative costs will cause solo and small firm business owners to increase prices on their clients in order to cover costs. Common areas of practice for solo and small firm attorneys are:

- **Bankruptcy,**
- **Family law**
- **Employment law,**
- **Personal injury,**
- **Tax preparation and financial planning,**
- **Immigration, and**
- **Estate planning.**

A tax on business services would adversely impact commercial and individual clients in these important areas, and higher fees could prevent them from hiring a Maryland attorney, incentivize them to seek legal services outside of the state, or forego legal representation altogether. If the client goes to court alone without proper understanding of trial preparation, evidentiary rules, and courtroom procedures, they may face unwanted case outcomes. Additionally, small businesses impacted by the proposed tax may no longer have funds available to hire legal counsel on important legal matters. Reducing the ability of lawyers in Maryland to provide legal services will result in a reduction in legal services and access to the courts for Marylanders and will most negatively affect clients with limited financial resources.

B. **SB 1045 May Reduce the Ability of Legal Services Organizations to Serve Clients.** The bill provides no guidance to Maryland legal services organizations that currently provide pro bono or low-cost services to clients as to whether they will have to pay the 2.5% business-to-business tax for routine services. If any of these service providers provide one of the taxable services, will they have to coordinate administrative handling and collection of the proposed tax? These additional costs and uncertainties may impair the legal service provider's ability to serve clients without interruption and may reduce the number of clients they serve.

SB 1045 Will Lead to Tax Pyramiding

A. The expansive tax scheme set forth in SB 1045 calls for a 2.5% sales tax across a wide swath of business-to-business services. By taxing business services essential to the production of other business goods and services, SB 1045 will lead to tax pyramiding. Tax pyramiding occurs when a tax is applied multiple times throughout the production and distribution stages of a service, creating a situation where the same value is taxed repeatedly.

    1. In an example provided by MACPA, let us say a small business hires a CPA for tax preparation, and as consultant for financial planning. Each of those services would be taxed separately, increasing the cost of doing business at every step. That cost does not disappear — it gets passed on to consumers, making everything from basic goods to essential services more expensive for everyone. This layering of taxes not only disrupts market equilibrium but disproportionately affects our most vulnerable populations, exacerbating income inequality.

B. The regressive nature of business-to-business taxation is demonstrated by failed efforts to impose such a tax scheme in two states, as described by MACPA.

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

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

C. Why has this tax scheme failed? Because taxing professional services does not work. It creates more problems and ultimately hurts small businesses - the very businesses Maryland should be trying to help. Businesses require the services that are subject to this bill. Small businesses that lack the ability to staff these services internally may be especially disadvantaged. Those small businesses will need to seek these services externally and, under the proposed bill, suffer an added cost for doing so. Larger businesses that can internalize these services, will have an unfair advantage, as they will not have to pay the tax to receive the benefit of the same service. Small businesses may choose or be forced to forego services altogether, even on important business considerations. Alternatively, small businesses may choose to relocate to other states in order to afford cheaper services for themselves.

D. The bill is especially harsh to Maryland small businesses that provide the services subject to this bill. Those businesses will be forced to dedicate additional time, money, and resources to complying with tax collection laws and to track, calculate, and apply the tax on their billings and receivables. Again, small businesses will be disadvantaged where they cannot afford to bring those compliance services in-house. Instead, the tax will hit their bottom line, twice. First as a tax on the services they already provide (increasing their customer's price), and second as a tax on new services they will need to hire, simply to ensure compliance with the bill (adding to their overhead). Again, these businesses may seek to relocate to avoid this compounding burden.

E. As MACPA has also cautioned, it would be advisable to review the Fiscal Policy Note from the Department of Legislative Services for House Bill 846 - a proposal to expand the sales and use tax on transportation services. "Expanding the number of services subject to the sales tax may result in a decline in consumer purchases of these services in the State," the note reads. "To the extent possible, residents may purchase services in neighboring states where these services are not taxed (or are taxed at a lower tax rate) or may choose not to purchase these services at all. A majority of Maryland residents live within a short distance to a neighboring state and, therefore, could have access to service providers located in other states." The above-referenced note is analogous to SB 1045.

SB 1045 Creates Complex Administrative and Compliance Issues

The bill provides little guidance on calculating, collecting, and enforcing the tax, resolving jurisdictional differences, and identifying which businesses will qualify as service providers and service recipients under the new tax.

A. **Calculating the Tax Will Burden Businesses.** Many Maryland businesses that provide the services subject to this tax, and many consumers of the same Maryland business services, are part of regional, national, or international operations. Those operations include the provision or receipt of services spanning various states or countries. Apportioning the percentage of overall services, then factoring out Maryland costs, calculating and collecting the sales tax, and maintaining adequate records will be administratively burdensome for both the service provider and the service recipient. Many customers of Maryland service providers may elect to seek the same services from providers in other states, to avoid this added complexity. Likewise, many Maryland business service providers may choose to relocate, in order to offer their same services from another state, lowering the cost they can offer their customers and removing the added complexity that this bill would impose.

B. **Minimal Guidance Provided to Service Providers.** The bill offers no guidance on the taxability of Maryland-based service providers who provide services to customers in other states. It also fails to clarify whether the tax is imposed based on the state of the service provider or of the service recipient, how to resolve jurisdictional differences on the taxing authority of states, whether the service provider's or service recipient's physical or digital presence in the state triggers the tax, and whether and how the tax applies to service providers operating or licensed in multiple jurisdictions. The lack of guidance on these issuances exacerbates the challenges on service providers and service recipients alike, in Maryland.

C. **Enforcement Concerns.** There are also issues of enforcement since services do not have a physical point of delivery. This will also increase compliance costs and make tax compliance more likely. Ultimately, when weighing the costs of enforcement, tax avoidance and migration of business services to neighboring jurisdictions versus the expected increased tax revenue, SB 1045 may cause a long-term fiscal loss to the State of Maryland.

SB 1045 Increases Barriers to Entrepreneurship and Economic Innovation

SB 1045's imposition of a sales tax on business-to-business services presents a substantial barrier to entrepreneurship and innovation. By taxing essential services that businesses need to operate, grow, and compete, such as tax planning, accounting, consulting, IT, design, and administrative services, this bill raises financial barriers for startups and small businesses, potentially stifling innovation, and economic diversity in Maryland. The additional financial burden could deter entrepreneurs from establishing or growing their businesses in the state, affecting Maryland's economic landscape and long-term competitiveness. Moreover, the tax could create a competitive disadvantage for Maryland businesses that rely on external service providers, as they would face higher costs than their counterparts in other states that do not tax such services. This could also incentivize businesses to outsource or relocate their service needs to lower-tax jurisdictions, resulting in a loss of revenue and jobs for Maryland.

Balancing the budget and creating long-term economic growth and stability is crucial. However, the proposed tax on services will result in long-term harm to the state's economy and business climate and reduce access to legal services.

For these reasons, MSBA strongly opposes SB 1045 and asks for an Unfavorable Committee Report.

Contact: Shaoli Sarkar, Advocacy Director (shaoli@msba.org, 410-387-5606)

SB1045 - MSBA Opposition Letter All (2025.03.10).p
Uploaded by: Shaoli Sarkar
Position: UNF

MSBA
MARYLAND STATE
BAR ASSOCIATION

MSBA Main Office
520 West Fayette Street
Baltimore, MD 21201
410-685-7878 | msba.org

Annapolis Office
200 Duke of Gloucester Street
Annapolis, MD 21401
410-269-6464 | msba.org

To:	Members of the Senate Budget and Taxation Committee
From:	Maryland State Bar Association (MSBA)
Subject:	SB 1045 – Sales and Use Tax – Taxable Business Services - Alterations
Date:	March 10, 2025
Position:	**Oppose**

The Maryland State Bar Association (MSBA) **opposes** Senate Bill 1045 – Sales and Use Tax – Taxable Business Services – Alterations. SB 1045 alters the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifies the rate of the sales and use tax for certain labor and services.

MSBA represents more attorneys than any other organization across the state in all practice areas. Through its advocacy committees and various practice-specific sections, MSBA monitors and takes positions on legislation that protects the legal profession, preserves the integrity of the judicial system, and ensures access to justice for Marylanders.

MSBA appreciates the magnitude of Maryland's current budget constraints and the need to secure funding for essential state priorities. However, the proposed tax is not an equitable solution for Maryland businesses or individuals seeking legal services. Given the everyday services included in the proposed tax, SB 1045 would negatively impact a number of Maryland businesses, attorneys, law firms, and individual clients by:

- **Decreasing the competitiveness of Maryland businesses and law firms,**
- **Reducing the affordability of legal services for small businesses, and**
- **Increasing costs and limiting access for vulnerable populations to pro bono and legal service providers.**

SB 1045 Discriminates Against Small Businesses, Including Solo and Small Law Firms

MSBA expects this bill will result in negative consequences to doing business in Maryland. It may also motivate Maryland businesses to relocate to other states and cause service recipients to turn away from Maryland service providers, in favor of service providers from other states.

A. **Increased Costs of Everyday Services.** Businesses require the services that are subject to this bill. Small businesses that lack the ability to staff these services internally may be especially disadvantaged. Those small businesses will need to seek these services externally and, under the proposed bill, suffer an added cost for doing so. Larger businesses that can internalize these services will have an unfair advantage, as they will not have to pay the tax to receive the benefit of the same service. Small businesses may choose or be forced to forego services altogether, even on important business considerations. Alternatively, small businesses may choose to relocate to other states in order to afford cheaper services for themselves.

B. **Taxable Businesses Face Mounting Financial and Administrative Hardships.** The bill is especially harsh to Maryland small businesses that provide the services subject to this bill. Those businesses will be forced to dedicate additional time, money, and resources to complying with tax collection laws and to track, calculate, and apply the tax on their billings and receivables. Again, small businesses will be disadvantaged where they cannot afford to bring those compliance services in-house. Instead, the tax will hit their bottom line, twice. First as a tax on the services they already provide (increasing their customer's price), and second as a tax on new services they'll need to hire, simply to ensure compliance with the bill (adding to their overhead). Again, these businesses may seek to relocate to avoid this compounding burden.

C. **The Proposed Tax Weakens the Ability of Maryland Attorneys to Serve Clients. In Maryland, the majority of attorneys in private practice are solo practitioners or work in small firms with fewer than five attorneys, most often representing individual clients and small businesses.** These firms fall within the definition of "business entities" in SB 1045 and would face an increased 2.5% tax on routine services, including but not limited to: accounting, bookkeeping, billing, and payroll; design and printing; marketing, public relations, and lobbying; financial planning and tax preparation; and data, website, and IT services. MSBA members in small firms routinely report increasing costs due to inflation, cybersecurity threats, technology upgrades, and a competitive market, as well as spending too much time on administrative tasks. SB 1045 will further increase firm costs and time spent on non-billable hours and take away resources to acquire new clients. Attorneys barred in multiple jurisdictions may choose to practice in neighboring states without a business services tax, thereby reducing Maryland clients' accessibility to legal services. Private attorneys who regularly engage in pro bono services for clients may not be able to dedicate as many hours to free legal services, given these additional costs and administrative burdens to their regular practice.

<u>SB 1045's Tax Will Be Passed On to Clients of Legal Services and Reduce Access to Justice</u>

A. **The Proposed Tax Will Impact Access to Legal Services in Critical Areas.** The proposed tax and additional administrative costs will cause solo and small firm business owners to increase prices on their clients in order to cover costs. Common areas of practice for solo and small firm attorneys are:

- **Bankruptcy,**
- **Family law**
- **Employment law,**
- **Personal injury,**
- **Tax preparation and financial planning,**
- **Immigration, and**
- **Estate planning.**

A tax on business services would adversely impact commercial and individual clients in these important areas, and higher fees could prevent them from hiring a Maryland attorney, incentivize them to seek legal services outside of the state, or forego legal representation altogether. If the client goes to court alone without proper understanding of trial preparation, evidentiary rules, and courtroom procedures, they may face unwanted case outcomes. Additionally, small businesses impacted by the proposed tax may no longer have funds available to hire legal counsel on important legal matters. Reducing the ability of lawyers in Maryland to provide legal services will result in a reduction in legal services and access to the courts for Marylanders and will most negatively affect clients with limited financial resources.

B. **SB 1045 May Reduce the Ability of Legal Services Organizations to Serve Clients.** The bill provides no guidance to Maryland legal services organizations that currently provide pro bono or low-cost services to clients as to whether they will have to pay the 2.5% business-to-business tax for routine services. If any of these service providers provide one of the taxable services, will they have to coordinate administrative handling and collection of the proposed tax? These additional costs and uncertainties may impair the legal service provider's ability to serve clients without interruption and may reduce the number of clients they serve.

SB 1045 Will Lead to Tax Pyramiding

A. The expansive tax scheme set forth in SB 1045 calls for a 2.5% sales tax across a wide swath of business-to-business services. By taxing business services essential to the production of other business goods and services, SB 1045 will lead to tax pyramiding. Tax pyramiding occurs when a tax is applied multiple times throughout the production and distribution stages of a service, creating a situation where the same value is taxed repeatedly.

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D. The bill is especially harsh to Maryland small businesses that provide the services subject to this bill. Those businesses will be forced to dedicate additional time, money, and resources to complying with tax collection laws and to track, calculate, and apply the tax on their billings and receivables. Again, small businesses will be disadvantaged where they cannot afford to bring those compliance services in-house. Instead, the tax will hit their bottom line, twice. First as a tax on the services they already provide (increasing their customer's price), and second as a tax on new services they will need to hire, simply to ensure compliance with the bill (adding to their overhead). Again, these businesses may seek to relocate to avoid this compounding burden.

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Balancing the budget and creating long-term economic growth and stability is crucial. However, the proposed tax on services will result in long-term harm to the state's economy and business climate and reduce access to legal services.

For these reasons, MSBA strongly opposes SB 1045 and asks for an Unfavorable Committee Report**.**

Contact: Shaoli Sarkar, Advocacy Director (shaoli@msba.org, 410-387-5606)

B2B Sales Tax 2.5%.pdf
Uploaded by: Shari Lingg
Position: UNF

JAMES E. LINGG & COMPANY, P.A.
Certified Public Accountants

March 10, 2025

To Whom it May Concern Regarding HB1554/SB 1045:

We are writing to you as we have had a small business in Maryland since 1992. We prepare taxes for small businesses and wish to let you know that charging a business to business sales tax of 2.5% will hurt our firm and our clients. With many costs rising in the last few years, an additional 2.5% will put businesses in Maryland at a competitive disadvantage.

We have already had businesses leave the state as it is less costly to operate in other states. If this tax becomes law, those businesses will certainly find accountants in those states that do not charge sales tax on their services, and more could be moving to other states as a result. That tax could be the tipping point in making that decision.

Because of the reasons listed above, we respectfully request that you oppose HB 1554/SB 1045.

Sincerely,

Shari B. Lingg, CPA

Shari B. Lingg, CPA

3217 Corporate Court • Ellicott City, MD 21042
410-461-6305 • FAX: 410-461-6307

SB 1045 Extension-SalesandUseTax.pdf
Uploaded by: SHARON CARRICK
Position: UNF

Ella Ennis, Legislative Chairman
Maryland Federation of Republican Women
PO Box 6040, Annapolis MD 21401
Email: eee437@comcast.net

The Honorable Guy Guzzone, Chairman
and Members of the Budget and Taxation Committee
Senate of Maryland
Annapolis, Maryland

RE: **SB1045** - Sales and Use Tax - Taxable Business Services – Alterations - **UNFAVORABLE**

Dear Chairman Guzzone and Committee Members,

The Maryland Federation of Republican Women opposes SB1045 because it will raise the price of many services used by the public.

A sales and use tax on business-to-business transactions will be passed along to the end-user.

We have been in a period of high inflation for several years and the average family is hurting. Electricity prices are surging and inflation-based taxes are increasing.

The extension of the Sales and Use Tax is being considered at the same time as the General Assembly is considering revisions that will increase the income tax for many and eliminate itemized deductions for all Marylanders, both resulting in an increased tax burden for a majority of payers.

We are burdened by multiple provisions in the tax code that automatically increase annually with in inflation but are never lowered when inflation decreases.

We understand that the State is facing budget deficits. It is critical that you consider the total burden of these tax increases on the average family and on small business.

Please vote an **UNFAVORABLE** report for **SB1045**.

Sincerely,

Ella Ennis
Legislative Chairman

MD Business Services Tax Bill SB 1045.pdf
Uploaded by: Sharon Sykes
Position: UNF

American Hotel & Lodging Association – Testimony
To: Senate Budget and Taxation Committee
Date: March 12, 2025
RE: Testimony in Opposition to Senate Bill 1045

Dear Chair Guzzone and Members of the Committee,

On behalf of the American Hotel & Lodging Association (AHLA), which represents every segment of the hotel industry including major chains, independent hotels, management companies, REIT's, bed and breakfasts, industry partners and more, we ask that you oppose Senate Bill 1045, which applies a 2.5% sales tax on many of the business services used by hotels. This increased expense to operate would lessen our industry's competitiveness, threaten economic growth of Maryland's lodging industry, and negatively impact local businesses.

Costs are rising faster than revenues, impacting profitability and making investing in growth and job creation tougher. Maryland's small business hotel owners have been struggling as rising costs, compounded by high inflation and interest rates, make it difficult to stay open and serve guests. Everything from operations and maintenance to sales, marketing, and IT rose nearly five per cent in 2024.

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland hoteliers. Meeting planners will look at the bottom line and take their business to a neighboring state. Leisure travelers will go elsewhere for their family vacation.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity. We urge an unfavorable report on SB 1045.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in Maryland.

Respectfully submitted,

Sharon Sykes, Senior Director of State and Local Government Affairs
American Hotel & Lodging Association (AHLA)
1250 Eye Street, NW, Suite 1100, Washington, DC 20005
stsykes@ahla.com
804.240.9919

opposed bill.pdf
Uploaded by: Sherrill Butler
Position: UNF

House Bill 1554	**Senate Bill 1045**
Chair Vanessa E. Atterbeary	**Chair Guy Guzzone**
House Ways and Means Committee	**Senate Budget & Taxation Committee**
130 Taylor House Office Building	**3 West Miller Senate Office Building**
Annapolis, Maryland 21401	**Annapolis, Maryland 21401**

Dear Legislators:

I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I am the Director of Nursing of Levindale Geriatric Hospital and Nursing Home. We provide care services to the most vulnerable underserved geriatric community. These services consist of Long-Term Care, Skilled Rehabilitation, Chronic ventilation, and Ventilation Waning. We offer services regardless of payor sources to make sure that there is no care needs unmet within our community. If this bill is passed, it would affect the services that we provide are able to provide to our most vulnerable resident community.

Thanks

Sherrill Butler-Williamson

Written Testimony-Sage Services Group- OPPOSED SB

Uploaded by: Sonya Hopson

Position: UNF

Senate Bill 1045
Date: March 10th, 2025
Committee: Senate Budget and Taxation Committee

Position: OPPOSED

Dear Chair Guzzone and Members of the Committee,

As the owner of a proud Maryland business for over 15 years, I'm writing to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses like mine rely on daily to operate, including accounting, IT support, consulting, and many others.

This proposal would also impact virtually all aspects of my core businesses, forcing us to levy taxes on our clients in an already hyper competitive market where every dollar counts in winning a contract.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses like mine:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For business located near state borders or doing business in other states and localities, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Sonya Hopson

Sage Services Group

CEO

SB 1045 Testimony.pdf
Uploaded by: Spencer Jones
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As the owner of Chick & Ruth's Delly in Annapolis, I oppose SB 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that my business relies on to operate, including accounting, IT support and consulting.

I understand Maryland faces difficult budget challenges, but implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. We can't keep trying to squeeze more taxes out of small businesses. That's been the MO for the state for years now and it's left us near the bottom in long term economic growth. If we're taxing so much we can't grow the budget picture will just keep getting worse, and there's no amount of tax hikes that can save us then.

Competitive Disadvantage in the Region

As it is, Maryland is already more expensive to operate in than other states. This tax would make it even worse. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For businesses located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states. The company we use for consulting, IT, and social media already has a strong presence in South Carolina, wouldn't it be easy for them to pack up most of their operations a go there for a more favorable tax climate?

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. I'm not a big corporation, I can't afford to have an in-house accountant, tech support, or social media manager. This tax would add thousands of dollars in annual taxes to my restaurant, at the same time that we deal with rising food prices, labor costs, and energy bills. I love what I do, I love serving our guests, but all these tax increases makes it harder and harder to do what we do.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Spencer Jones
President
Chick & Ruth's Delly

165 Main Street
Annapolis MD, 21401
saselleck98@gmail.com
703-915-0470

SB 1045 - B2B services tax - Opposition - 3-10-202
Uploaded by: Stacey Maud
Position: UNF

Written Testimony in Opposition to SB 1045

Honorable Members of the Senate Budget and Taxation Committee,

I am writing on behalf of my small business, Ace Handyman Services – Annapolis, Eastern Shore and Ocean City, a locally owned and operated handyman service serving homeowners and businesses in Maryland. I strongly oppose SB 1045, which seeks to impose a 2.5% sales tax on business-to-business (B2B) services, including accounting, IT support, consulting, and marketing.

As a small business manager, I rely on these essential services to operate efficiently and remain competitive. Adding a new tax on these critical expenses will increase my costs, making it harder to invest in my business, hire employees, and provide affordable services to my customers. This tax would disproportionately hurt small businesses like mine, which do not have the financial flexibility of larger corporations to absorb additional costs.

Job Losses Inevitable

Every dollar diverted to this new tax is a dollar not invested in workforce growth. Economic models predict significant employment contraction, particularly among small businesses and service providers. The increased financial burden will lead to job cuts, reduced hiring, and a weaker local economy.

Consumer Price Surge

Economic research from Towson University's Regional Economic Studies Institute confirms that these costs will be passed directly to Maryland consumers through higher prices for everyday goods and services. As businesses struggle to manage rising expenses, Maryland families will bear the brunt of the financial impact.

Competitive Disadvantage

Maryland already ranks 46th in the Tax Foundation's State Business Tax Climate Index and is the 3rd most expensive state to do business in, according to CNBC’s Top States for Business 2024 survey. None of our neighboring states tax these business services, creating a powerful incentive for businesses to relocate across state lines, further weakening Maryland’s economic standing.

Maryland’s small businesses are the backbone of our state’s economy, and now, more than ever, we need policies that support growth and sustainability—not measures that create additional financial strain. I urge you to reject SB 1045 and consider alternatives that foster, rather than hinder, the success of Maryland’s business community.

Thank you for your time and consideration.

Sincerely,
Stacey Maud, General Manager
Ace Handyman Services – Annapolis, Eastern Shore and Ocean City
1208 Butterworth Ct, Stevensville, MD 21666

HB1554 Sales and Use Tax Testimony GSSCC.pdf

Uploaded by: Stephanie Helsing

Position: UNF

GREATER SILVER SPRING CHAMBER OF COMMERCE

OUR MISSION:
Working to enhance the economic prosperity of greater Silver Spring through robust promotion of our member businesses and unrelenting advocacy on their behalf.

March 10, 2025

The Honorable Delegates Atterbeary and Wilkins
and Members of the Ways & Means
Committee
House Office Building
6 Bladen St.
Annapolis, Maryland 21401

Dear Chairpersons, Barnes and Chang and Members of the Committee:

My name is Stephanie Helsing, and I am the President and CEO of the Greater Silver Spring Chamber of Commerce. On behalf of the Greater Silver Spring Chamber of Commerce, representing more than 320 employers, mostly small and minority owned businesses, in greater Silver Spring and surrounding areas in Montgomery County, we are submitting these comments of strong opposition to **House Bill 1554 --** ***Sales and Use Tax - Taxable Business Services – Alterations*** being heard in the House Ways and Means Committee on March 12, 2025.

House Bill 1554 proposes a 2.5% tax on business-to-business services in Maryland, potentially burdening businesses with an additional $1 billion of taxes annually. Our chambers argue that taxing business-to-business services is fundamentally flawed policy and unfairly balances the budget on the backs of businesses.

We are deeply concerned about the negative impact this tax will have on Maryland's already fragile business environment. Unlike Maryland, our neighboring and competitor states do not impose such a significant tax on business services, and neither should we.

The primary burden of this tax will fall on small and mid-sized businesses, which tend to outsource services, operate on tight margins and cannot easily absorb additional costs. These businesses are the backbone of our economy, and increasing their expenses could stifle growth, hinder job creation, and harm Maryland's economic health. With 90% of the businesses in the Greater Silver Spring Chamber being designated as small businesses, in a minority majority, equity focus area, the Chamber worries that their needs have been overlooked.

Policymakers should prioritize policies that support business growth, job creation, and economic expansion in Maryland. This approach is the most effective way to revitalize Maryland's stagnant economy and boost state tax revenues. If this bill passes, it will be the neighboring states that benefit from our loss, growing their tax bases at Maryland's expense.

In summation, the Chamber wants all businesses to succeed and for these reasons, the Greater Silver Spring Chamber of Commerce respectfully requests an unfavorable report for HB1554 Sales and Use Tax. It is the Chamber's position that this legislation will have an egregiously negative impact on the Silver Spring businesses.

Thank you for the opportunity to weigh in on this issue. Should

you have questions, don't hesitate to contact us. Sincerely,

Stephanie M. Helsing

Stephanie Helsing
President & CEO

8601 Georgia Avenue, Suite 203, Silver Spring, Maryland 20910
Phone (301)565-3777 ● Fax (301)565-3377 ● shelsing@gsscc.org ● www.gsscc.org

HB 1554.pdf
Uploaded by: Stephen Dasher
Position: UNF

To Maryland Representatives:

I am a partner in a CPA located in Gaithersburg, Maryland. I am concerned that the legislation is considering a sales tax for professional services (HB 1554). As you are aware, this will add additional costs to the employers of Maryland. Many of these businesses are already struggling on how to navigate the current economic environment.

There are many warning signs already for the economy. With DOGE, many citizens are losing their jobs, or may be losing their jobs. One of our employees is considering relocating back to St. Louis, as her husband has just lost his job with the FDA. We also have many clients who are government contractors that are struggling with budget cuts and termination of contracts with the Federal government. They are currently having to make decisions on whether to cut staff. There is also concern with many companies regarding the effect of tariffs on their business. Even President Trump is openly discussing the possibility of a recession along with the Atlanta Federal Reserve Bank.

In short, I do not believe this is the time to create an additional burden on the employers in Maryland. There is already huge stress among these businesses. Our firm, and our clients are small businesses that are privately owned. This additional tax will further strain their ability to hire personnel, and invest in their businesses.

Please vote against HB 1554.

Stephen Dasher, CPA

Stephen Dasher, CPA

SB1045_UNF_Patient First - Sales & Use Tax - Taxab
Uploaded by: Stephen McCoy
Position: UNF

Patient First

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

5000 Cox Road • Glen Allen, VA 23060 • (804) 968-5700 • Fax (804) 968-5725 • patientfirst.com

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 24th 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

SB1554_Carroll Tree Service_Unfavorable.pdf
Uploaded by: Stephen Sprague
Position: UNF

CARROLL TREE SERVICE
INC.

SB 1554 – Sales and Use Tax - Taxable Business Services - Alterations

Committee: Ways and Means
Date: March 10, 2025
Carroll Tree Service Position: **OPPOSED**

Carroll Tree Service, Inc provides expert tree care services throughout the Baltimore metropolitan region. We are writing to express our concern about the proposed service taxes included in SB 1554. We are a small business that has served our community since 1972, and we just **cannot** absorb the direct and indirect costs associated with this proposed legislation.

We will without doubt be negatively impacted in, at least, the following ways:

1. Increased costs associated with training any staff member assigned to creating estimates that tax will need to be included in estimates for specific classes of customer.
2. Increased costs associated with training any staff member assigned to invoicing to provided oversight and/or corrective measures for when invoicing any estimate that should be taxed.
3. Increased costs associated with a significantly more arduous sales and use tax return filing process.
4. Increased costs associated with preparing the business against potential sales and use audit.
5. Increased costs associated with securing a 3rd party software (**and PAY TAX on that software**) and/or developing internal procedures that specify: if customer is commercial, and if customer is present on the taxable list, then apply sales tax.
6. Increased costs associated with charging an paying the tax at the time of invoicing and then waiting for the customer to actually pay.
7. Increased costs associated with charging an paying the tax at the time of invoicing and then not getting paid by the customer
8. Increased costs associated with paying tax on services that we purchase from other vendors that fall into the taxable services category.
9. Losses in revenue associated with underbidding by companies outside of Maryland who are not subject to the tax.

The costs associated with doing business in Maryland is extremely prohibitive at present. **Please** do provide a favorable report on **SB 1554**.

Sincerely,

Stephen Sprague, CFO

74 Gwynns Mill Court
—Integrity —
Owings Mills, MD 21117

www.carrolltreeservice.com
office@carrolltreeservice.com
Maryland Licensed Tree Expert #271

Fax: 410.998.1104
— Execution —
Phone: 410.998.1100

SB 1045 - Mind Over Machines Testimony - Unfavorab
Uploaded by: Steve Navarro
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a small business with headquarters in Maryland, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Steve Navarro
President
Mind Over Machines, Inc.

MSBCA SB 1045 Sales and Use Tax Unfavorable.pdf
Uploaded by: Steve Nelson
Position: UNF

March 10, 2025

The Honorable Guy Guzzone and Members
Senate Budget and Taxation Committee
Senate Office Building
Annapolis, MD 21401

Re: UNFAVORABLE – SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations

Dear Chairman Guzzone, Vice Chairman Rosapepe and Members of the Committee:

The Maryland School Bus Contractors Association (MSBCA) opposes SB 1045- Sales and Use Tax - Taxable Business Services - Alterations.

MSBCA serves as the voice of the private school bus companies that contract with local Maryland school systems in 19 of Maryland's 24 jurisdictions. MSBCA members own and operate over 3,500, or 49% of the school buses transporting school children across the great State of Maryland. MSBCA contracted school buses cover over 53 million miles each year while remaining fully committed to the safety of the students we transport and considers it a privilege to do so.

As we all know, we are facing major financial challenges in our state, but the proposed additional 2.5% sales and use tax proposed in SB 1045 will hurt and potentially close some small businesses. But in the case of the state's school bus contractors, this bill will eventually be self-taxing via our school districts. As noted above, 19 out of 24 Maryland school districts enter into multiple year agreements with our members to provide services and equipment to transport our school children. These agreements are based on a formula that includes the cost of the vehicle, driver salary, maintenance, fuel, and operating fees.

While each school district agreement varies, the additional taxes proposed would eventually have to be passed on to the school districts. This would include but not limited to such services related to school bus repairs like air brakes, engines, transmission, suspension maintenance and replacement as needed. A tax on these services will eventually need to be passed on to the state's school districts.

We ask that you consider an Amendment exempting school buses and school bus contractors from this bill. If this bill goes into effect, school bus contractors will need to go back to their school districts to renegotiate their compensation formula based on this new tax.

Again, MSBCA looks forward to working with the legislators to make Maryland the safest and most efficient state in the country for all our children.

Sincerely,

Steve Nelson

Steve Nelson
President
Maryland School Bus Contractors Association
15 School Circle
Annapolis, MD 21401
202-386-3859

Additional Representation Contact:
Martha “Marty” Lostrom
Funk & Bolton, P.A.
C 202-368-3859
Email: mlostrom@fblaw.com

MSBCA serves as the voice of the private school bus companies that contract with local Maryland school systems in 19 of Maryland’s 24 jurisdictions to own and operate the nearly 3500 contracted school buses that transport schoolchildren across the State.

SB1045_UNF_MDAGC_Sales & Use Tax - Taxable Busines

Uploaded by: Steve Wise
Position: UNF

Senate Budget and Taxation Committee
March 12, 2025
Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*
POSITION: OPPOSE

The Maryland Chapter of the Associated General Contractors of America (MDAGC) provides professional education, business development, and advocacy for commercial construction and highway companies and vendors, regardless of labor policy. AGC of America is the nation's largest and oldest trade association for the construction industry. MDAGC opposes Senate Bill 1045.

Below are outlined points on how Senate Bill 1045 will affect MDAGC.

1. Impact on the Construction Industry:
   - Taxes on payroll, accounting, IT, and consulting services will raise operating expenses for general contractors and subcontractors. These costs will be passed on to project owners, including public agencies, driving up the price of infrastructure projects.
   - Construction firms already pay taxes on materials and equipment. Taxing the professional services required to complete these projects creates an unfair additional financial burden.
   - Smaller contractors, who outsource many of these services, will be disproportionately impacted. Unlike larger firms with in-house departments, they will have no choice but to absorb the tax or increase prices, making them less competitive.

2. Negative Impact on Maryland's Business Competitiveness:
   - Neighboring states, Virginia, Pennsylvania, and Delaware, do not impose similar taxes on B2B services. Maryland firms will face higher costs, making them less competitive in regional bidding.
   - Companies may shift service procurement to out-of-state vendors to avoid the tax, hurting Maryland-based businesses.
   - Over time, contractors may consider moving operations to lower-tax jurisdictions to maintain profitability.

3. Economic and Infrastructure Consequences:
   - Added costs will lead to tough choices: reducing staff, raising prices, or scaling back operations. Many firms will be forced to cut back on hiring or expansion.
   - Increased contractor costs will raise bids for government-funded projects, leading to fewer roads, schools, and public facilities being built for the same budget.
   - The additional tax burden could push private developers to postpone or cancel projects, slowing economic growth and infrastructure investment.

For the reasons stated above, we request an unfavorable vote.

For more information:
J. Steven Wise
(410) 244-7000

SB1045_UNF_MedChi, MDAFP_Sales & Use Tax - Taxable
Uploaded by: Steve Wise
Position: UNF

Senate Budget and Taxation Committee
March 12, 2025
Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*
POSITION: OPPOSE

On behalf of MedChi, The Maryland State Medical Society, and the Maryland Academy of Family Physicians (MDAFP), we submit this letter of opposition for Senate Bill 1045.

Senate Bill 1045 would impose a 2.5% tax on certain services provided by one business to another. Several of the identified services would impose a significant financial burden on physician practices, which in turn will increase the cost of health care to consumers. In addition, these costs could trigger changes in the current Total Cost of Care (TCOC) Model and future States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model. For these reasons, MedChi and MDAFP oppose the legislation.

Among the services covered by the codes in the bill are NAICS Sector 56110, which includes billing and recordkeeping, something that many physician practices contract out for. Also covered are data or information technology services and system software services (NAICS Sector 518, 519, or 5415), which would include electronic health records. Because payment rates to Maryland physicians consistently rank at or near the bottom of the 50 states, physician practices would be unable to absorb this tax increase. The result could be increased health care costs and a decrease in patient access to care.

Second, it is imperative that the General Assembly ensure the proposed new tax on health care does not put at risk the current TCOC Model and future AHEAD Model. The proposed tax has the potential to jeopardize a system that brings between $1.8 billion and $4.6 billion annually into the State's health care system by, among other things, allowing Maryland to control a variety of health care costs while also securing enhanced Medicare payments. Part of the negotiations with the Centers for Medicare and Medicaid Innovation (CMMI) recognized the potential for factors that could affect cost growth and harm physician participation, which would in turn allow CMMI to reevaluate the agreement and address any adverse impacts.

If the tax triggers CMMI review of the State's agreements under either Model, it could result in unintended consequences, including reductions in federal funding, increased financial pressure on hospitals and patients, and potential shortfalls in Medicare and Medicaid funding—ultimately harming patient access and care delivery. Therefore, before moving forward with this provision, we respectfully request that the General Assembly consult with the Health Services Cost Review Commission (HSCRC) and CMMI to fully assess the risks and ensure Maryland's health care system remains financially stable.

For these reasons, MedChi and MDAFP oppose Senate Bill 1045.

For more information call:
J. Steven Wise
Danna L. Kauffman
Andrew G. Vetter
Christine K. Krone
410-244-7000

Oppose HB 1554 SB 1045 2025.3.10.pdf
Uploaded by: Steven Cho
Position: UNF

March 10, 2025

CPA oppose HB 1554 / SB 1045

I am totally against HB 1554 / SB 1045 because it will make our great state of Maryland uncompetitive. It will add too much extra cost and administrative burden to millions of small businesses. Firms that have a choice will likely move out of state to avoid this madness.

Sincerely,

Steven Cho, CPA

(301) 216-3828

stevenchocpa@gmail.com

2025 SB1045 Opposition to B2B Tax.pdf
Uploaded by: Susan Jones
Position: UNF

HMRA

OCEAN CITY, MARYLAND

HOTEL • MOTEL • RESTAURANT • ASSOCIATION

March 10, 2025

Committee: Senate Budget and Taxation Committee - **Senate Bill 1045**

Position: Opposed

Dear Chairman Guzzone and Members of the Committee,

On behalf of our 450 hospitality members, I am writing to strongly oppose Senate Bill 1045, which seeks to expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would impose a new 2.5% tax on a wide range of critical services that businesses depend on daily, including accounting, IT support, consulting, and more.

While we recognize Maryland's budget challenges, implementing a B2B service tax is a short-term solution that would create long-term economic and competitive disadvantages for the state. Small businesses depend on outsourced professional services for essential functions like accounting and technology support. This tax would impose thousands in additional annual costs on businesses already facing economic pressures, potentially forcing them to raise prices, reduce staff, or scale back growth investments.

Small businesses rely on outsourced professional services for critical functions like accounting and technology support. This tax would add thousands in new annual costs, putting additional strain on businesses already facing economic challenges and potentially forcing them to raise prices, cut jobs, or limit growth investments.

Once implemented, this tax structure could easily expand to additional service categories or see rate increases. While the current proposal targets specific services at 2.5%, future budget shortfalls could lead to higher rates or an extension of the tax to essential services such as legal, real estate, or healthcare.

While we support efforts to strengthen Maryland's fiscal stability, the best way to address budget challenges is by promoting policies that drive business growth and economic expansion. A thriving business community naturally boosts tax revenue through job creation and increased economic activity.

I urge you and the members of the General Assembly to carefully consider the impact of this legislation, oppose SB 1045, and champion policies that foster a strong and thriving business environment in our state.

Sincerely,

Susan L. Jones

Susan L. Jones, Executive Director

5700 COASTAL HWY #302 • OCEAN CITY • MARYLAND • 21842

410-289-6733 • FAX 410-289-5645 • OCVISITOR.COM • INQUIRE@OCVISITOR.COM

SB 1045 - SP Testimony.pdf
Uploaded by: Suzanne Paholski
Position: UNF

Senate Bill 1045
Date: March10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business owner, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

I pay for IT support from a local company. This bill would have them charge me 2.5% tax on the monthly service. I would then pass that cost on to my clients. Then, I would be required to pay a 2.5% tax on the services I provide to my clients. So, in essence, I would be increasing my fees by 5% on top of my normal yearly increase. I pride myself in keeping my prices low compared to the bigger CPA firms but, this tax would dramatically increase my prices to the extent that I would lose clients. This tax would price me out of the market and possibly force me into early retirement resulting in 1 less business in Maryland.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

My business operates on thin margins, and I lack the resources to absorb new taxes or bring services in-house. With all the regulations that CPA's must follow, bringing the IT support inhouse is not a solution. IT is too complex today for a CPA to be dabbling in IT support. Unlike large corporations that can hire a full-time dedicated IT person, small businesses rely heavily on outsourced professional services for IT and technical support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

For example, look at the real estate taxes the counties collect. Every time the county needs more money, they raise real estate taxes.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Suzanne Paholski, Owner
Suzanne S Paholski, CPA

STOP B2B Sales Tax Senate.pdf
Uploaded by: Tamara Bensky
Position: UNF

Testimony to **OPPOSE** HB1554/SB1045

Members of the Budget and Tax Committee,

My name is Tamara Basso Bensky and I am a Certified Public Accountant. I am an owner of a CPA firm with an office in Maryland, along with 19 other offices across the country. I am writing to urge you to **oppose** HB1554/SB1045 Sales Tax on Business Services.

Taxing services is detrimental to business operations. Many service providers operate on tight margins, and the additional burden of sales tax can lead to increased costs for consumers, thereby reducing demand. For example, professional services such as legal, accounting, and consulting are essential to businesses of all sizes. Taxing these services would not only increase costs for local businesses but also deter new businesses from seeking these vital services. This could stunt economic growth and innovation within our state.

Secondly, the administrative complexity of tracking and remitting sales tax on services for entities operating in multiple states cannot be overstated. Each state has its own tax rules and compliance requirements, and adding services to the mix would create a tangled web of regulations for businesses to navigate. This complexity can lead to increased compliance costs, a higher likelihood of errors, and potential penalties for businesses. It's already challenging for companies to keep up with varying sales tax rates and rules for tangible goods; adding services to this requirement would exacerbate the situation and place an undue burden on Maryland businesses that operate interstate. Small Businesses will bear the greatest burdeon and will be at an even greater disadvantage compared to larger corporations,

Finally, imposing a sales tax on services would put Maryland at a significant competitive disadvantage. Neighboring states that do not tax services would become more attractive to businesses and skilled professionals. This could result in a loss of jobs and businesses relocating to states with more favorable tax environments. Maryland's economy could suffer from reduced investment and slower growth compared to its competitors.

In conclusion, implementing a sales tax on services is bad for business, difficult to manage, and detrimental to Maryland's competitive standing. I strongly urge you to consider these points and **oppose** HB 1554/SB 1045.

Thank you for your time and consideration.

Sincerely,

Tamara Basso Bensky, CPA
11 Quarterhorse Court
Owings Mills, MD 21117

The CA Letterhead_SB 1045.pdf
Uploaded by: Tasha Cornish
Position: UNF

10440 Little Patuxent Pkwy
Floor 12
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+443-853-1970
info@cyber-association.com
www.cyber-association.com

Senate Bill 1045
Date: March 10, 2025
Committee: Budget and Taxation Committee
Position: Opposed

Dear Chairman Guzzone and Members of the Committee,

Thank you for the opportunity to provide testimony on Senate Bill 1045. My name is Tasha Cornish and I am the Executive Director of the Cybersecurity Association, Inc. (CA), a statewide, nonprofit 501(c)(6) organization dedicated to the growth and success of Maryland's cybersecurity industry. Established in 2015, CA represents over 600 businesses ranging from Fortune 500 companies to independent operators, collectively employing nearly 100,000 Marylanders.

I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others. While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses
Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region
This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For our members located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cybersecurity Association

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www.cyber-association.com

Cascading Tax Effect
Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,
Tasha Cornish
Executive Director
Cybersecurity Association, Inc.

SB 1045 - Tessellate Testimony.pdf
Uploaded by: Taylor Vincent
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I am writing to you not only as the Director of Communications for Tessellate Consulting Group but also as a proud partner at a women-owned, minority-owned small business that was established just last year. Our business was created with the mission of providing essential support to federal, local, and state government agencies, helping them operate more efficiently and effectively. Through our consulting services, we have become an integral part of government operations, allowing agencies to meet their goals and serve their communities better.

At Tessellate, we understand that the services we provide are critical to the smooth running of government functions, and we are committed to helping these agencies navigate complex challenges. The impact of our work is seen in the improved efficiency, enhanced compliance, and cost savings we deliver to our government clients. It is with this understanding of the vital role our services play that I express my strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

There are several specific reasons why this legislation would harm Maryland businesses:

- **Disproportionate Impact on Small Businesses:** Small businesses, like ours, are the lifeblood of our economy, but we operate on razor-thin margins and often lack the resources to absorb new taxes. This proposed tax would add thousands of dollars in new annual costs, placing even more strain on businesses that are already struggling to stay afloat amidst economic pressures. For small businesses, this tax could force heart-wrenching decisions: do we raise prices and risk losing customers, reduce our staff and affect the livelihoods of hardworking individuals, or cut investments in growth and innovation, stalling our progress? These are not just business decisions—they are personal, community-driven choices that have real-world consequences.

- **This Legislation Will Result in Pyramiding Taxes:** Imposing taxes on services creates a vicious cycle, where goods and services get taxed multiple times as they move through the production chain. This "pyramiding" effect ultimately drives up costs, and it’s the consumers, many of them hardworking Maryland families, who will bear the brunt. Higher prices on everyday goods and services will disproportionately affect those who can least afford it, making life harder for people already facing challenges in today’s economy.

- **Competitive Disadvantage in the Region:** By enacting this tax, Maryland risks becoming an outlier among its neighboring states, such as Virginia and Delaware, which do not impose similar taxes on business services. This puts Maryland businesses, especially small ones like ours, at a distinct disadvantage. For our clients near the state border, this tax creates a powerful incentive to seek service providers across state lines, where they can avoid the additional burden. It also threatens to drive Maryland-based businesses to relocate, leaving our state's economy weakened and our communities struggling to maintain the businesses that support them.

- **Administrative Burden and Compliance Costs:** The burden of this tax extends beyond the direct financial impact. Small businesses will now have to divert resources away from serving their clients and growing their businesses in order to comply with the administrative demands of tracking, collecting, and remitting the new tax. For many businesses, this means hiring additional staff, incurring more accounting costs, or spending precious hours on compliance instead of focusing on innovation and serving their communities. It's a heartbreaking reality for small business owners who already juggle a multitude of responsibilities.

- **Dangerous Precedent for Future Taxation:** Once this tax is in place, it sets a dangerous precedent for future increases or expansions. Today, it targets specific services at 2.5%, but the fear is that this is just the beginning. In future years, as the state faces budget challenges, this tax could easily expand to other essential services—like legal services, healthcare, or real estate—each time imposing a heavier burden on small businesses that already provide crucial support to our communities. The worry is that this tax will snowball, further suffocating the businesses that are trying to help grow the state's economy, not harm it.

- **Cascading Tax Effect:** Unlike traditional sales taxes, this B2B tax creates a "tax on tax" effect, where services are taxed at each stage of production. This results in higher prices for businesses, and in turn, higher prices for Maryland consumers. It's a burden that builds on itself, compounding over time and escalating costs. The nominal 2.5% rate may sound small, but the cumulative effect can be devastating—especially for working families and communities that are already facing high costs for basic goods and services.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Taylor Vincent
Director of Communications
Tessellate Consulting Group

Reject_SB1045_SLM_CUMBERLAND_MD.pdf
Uploaded by: Theodore Lyons
Position: UNF

STONE LYONS MEDIA, LLC

123 N Centre Street #3

Cumberland, MD 21502

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a sole proprietor with a boutique video production company, Stone Lyons Media LLC, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and video production services.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses
Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes
Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region
This tax would make Maryland an outlier among some neighboring states. Pennsylvania, Virginia, and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my Cumberland, Maryland-based sole proprietorship, Stone Lyons Media LLC, located *very* close to *both* the West Virginia and Pennsylvania borders, this tax creates a strong incentive to seek service providers across state lines, and will likely result in me moving my business and residency to one of the neighboring states.

Administrative Burden and Compliance Costs
Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation
Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect
Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation, **reject SB 1045**, and advocate for policies that *support* a thriving business environment in our state.

Sincerely,

Theodore H. “Stone” Lyons
Owner / Creative Director
Stone Lyons Media LLC
(202) 246-7657

2025 Sales and Tax.pdf
Uploaded by: Thomas a’Becket
Position: UNF

SB 1045 Sales and Use Tax-Taxable Business Services – Alterations

Submitted by Dr Thomas R. a'Becket President Maryland State Dental Association Charitable and Educational Foundation and Legislative Chair Maryland State Dental Association

OPPOSED

As the President of a charitable group that provides free oral healthcare the underserved community in Maryland, the effects of an additional financial burden that this tax would create means less treatment. Our Missions of Mercy both large stand alone clinics as the recent one in Salisbury Maryland which provided are too close to 1000 patients and the smaller events (8-12 per year) hosted by private dental offices around the state serving 100 patients an event would be negatively impacted. We have a small in house team that works day to day but requires outside support on an as needed basis for promotion, advertising, IT support and per diem personnel and a tax would create an additional financial impact on our limited resources.

Overall I believe that this expansion of the Sales and Use Tax creates an unfavorable business climate within the delivery of oral healthcare services within all settings throughout the state as fees to patients would need to be adjusted to compensate for increasing costs and could impact the number of providers willing to accept the already greatly reduced reimbursements for Medicaid patients.

I ask for an UNFAVORABLE REPORT on SB 1045

Thank You

SB_1045_-_Testimony_Lavery.pdf

Uploaded by: Tim Lavery

Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As the owner of a local small business, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For my business, located on the Eastern Shore near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity. At this moment, when so many Marylanders are reeling from the effects of the Trump administration on federal workers and contractors, we should be doing everything we can to support entrepreneurship and encourage these individuals to start new businesses, which will create jobs, income tax revenue, and secondary benefits for supporting businesses and local communities. The opposite of that is asking small businesses to shoulder yet another tax or fee to close the state's budget deficit, which will contribute to a chilling effect on new professional services businesses in Maryland.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Timothy Lavery
Chief Executive Officer
Wrench & Socket LLC

7650 Waterview Lane
Chestertown, MD 21620
Tim.lavery@wrenchsocketllc.com
410-458-7658

MDCD Broadcasters Association -- Nelson Written Te

Uploaded by: Timothy Nelson

Position: UNF

MARYLAND DC DELAWARE
BROADCASTERS ASSOCIATION

To: Senate Budget and Taxation Committee

From: Maryland-DC-Delaware Broadcasters Association
Tim Nelson, Counsel (tnelson@brookspierce.com)

Re: Opposition to HB 1554/SB 1045 – Sales and Use Tax – Taxable Business Services – Alterations

Date: March 10, 2025

The Maryland-DC-Delaware Broadcasters Association ("MDCD" or the "Association"),[1] on behalf its Members, which include approximately 20 television stations and 110 radio stations, strongly opposes House Bill 1554 and Senate Bill 1045 – "Sales and Use Tax – Taxable Business Services – Alterations."

House Bill 1554 and Senate Bill 1045, in imposing a new, sweeping, business-to-business tax on nearly all services, would prove destructive to Maryland's economy, make it more challenging and expensive to operate a business in the State, lead to job losses, and raise costs for all of Maryland's citizens. House Bill 1554 and Senate Bill 1045 would severely disadvantage Maryland companies relative to those in other states; inevitably, some Maryland businesses would simply contract with out-of-state entities for the very services targeted by the legislation in order to avoid the taxes associated therewith.

While the precise operational impact of House Bill 1554 and Senate Bill 1045 is difficult to discern from the plain text thereof, the legislation's apparent tax on advertising services would prove extremely harmful to Maryland's local broadcast stations and would jeopardize their ability to provide news, weather, emergency information, entertainment programming, and other vital local services to communities across the State. Maryland's local radio and television stations provide the only free option for citizens to receive these services; often, they are the only source of official information when lack of power, cell service and broadband make other platforms unavailable. Local broadcasters continue to provide these essential public services but face extraordinary competitive headwinds, particularly from international Big Tech conglomerates that have taken massive shares of local broadcasters' advertising revenues.

We urge that you support broadcasters' continued, critical work in Maryland by rejecting House Bill 1554 and Senate Bill 1045, or, at the very least, by amending the bills in order to clarify that the legislation is not applicable to advertising services provided by local broadcasters to Maryland businesses.

Advertising, particularly for small businesses, is a necessary investment that stimulates Maryland's economy and drives the sales of goods and services. Any tax on advertising will, of course, reduce the amount of money that Maryland's businesses spend on advertising to promote

[1] The Maryland-DC-Delaware Broadcasters Association is a voluntary, non-profit trade association that advocates for the interests of its member radio and television stations and, more generally, the interests of broadcasting in Maryland, Delaware, and Washington, D.C.

their goods and services. That, in turn, will reduce the sale of goods and services here in the State. It will hurt Maryland's economy, both Statewide and in individual localities.

The tax on advertising in HB 1554 and SB 1045 will also directly harm local broadcasters' revenues, and, consequently, their ability to serve Maryland's local communities. MDCD's radio and television member stations are licensed by the federal government to operate in the public interest, and they remain the most trusted source of news and information here in Maryland. Maryland's local radio and television stations rely on advertising revenues to operate their newsrooms and to serve their communities; advertising dollars represent virtually all of the revenues for Maryland's radio stations and more than half of the revenues for the State's television stations. HB 1554 and SB 1045, in taxing advertising, will hurt every business in Maryland—and harm each and every newsroom in the State.

MDCD urges the House and Senate to reject HB 1554 and SB 1045 and seek other ways to remedy the State's budget deficit. Again, however, if the Legislature refuses to do so, MDCD respectfully requests that lawmakers amend the legislation to clarify that local broadcast stations and the advertisers with whom they do business in Maryland are not subject to HB 1554 and SB 1045.

* * * * *

TCecure Testimony Opposing SB1045.pdf
Uploaded by: Tina Williams-Koroma
Position: UNF

Senator Shelley L. Hettleman, Chair
Rules Committee

TCecure, LLC
901 S. Bond Street, Suite 203
Baltimore, MD 21231

Dear Rules Committee and Honorable Members of the Maryland Senate,

I am writing to express my strong opposition to Senate Bill 1045, which proposes a 2.5% service tax on small businesses like mine. As a small business owner, I urge you not to support this bill, as it would place an undue financial burden on both small businesses and the customers who rely on our services.

Small businesses, much like the American middle class, already shoulder a disproportionate share of taxation. In my industry—cybersecurity—it is already challenging to maintain affordable pricing for customers while ensuring financial stability. Adding an additional 2.5% tax on the services we provide would not only increase costs for our customers but also:

- **Hinder our ability to compete** with other businesses offering similar services, including those in states without such a tax.
- **Increase administrative burdens**, forcing us to allocate additional resources to ensure compliance, which many small businesses cannot afford.

Unlike large corporations, most small businesses lack the means to hire lobbyists to advocate on our behalf. Even taking the time to submit this written testimony has been a challenge amidst the demands of running my business.

Maryland is my home, and I am committed to growing and scaling my business here. However, if this tax is enacted, I will be forced to seriously reconsider whether Maryland remains a viable location for my company's headquarters. The financial impact of this bill is significant enough to warrant that reassessment.

I respectfully urge you to vote against Senate Bill 1045 and protect the small businesses that are vital to Maryland's economy.

Thank you for your time and consideration.

Tina C. Williams-Koroma

Tina C. Williams-Koroma
CEO
TCecure, LLC

Letter regarding MD SB 1045.pdf
Uploaded by: Toby Malara
Position: UNF

American Staffing Association
277 South Washington Street, Suite 200 ▪ Alexandria, VA 22314-3675

703.253.2020
703.253.2053 fax
asa@americanstaffing.net
americanstaffing.net

VIA ELECTRONIC SUBMISSION

March 12, 2025

Senator Guy Guzzone
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Senator Jim Rosapepe
Vice-Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Re: Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations

Dear Chair Guzzone and Vice-Chair Rosapepe:

Temporary and contract staffing firms play a vital role in Maryland's economy. The advantages of temporary work are recognized by workers, businesses, economists, and policymakers. It affords flexibility, training, supplemental income—and a bridge to permanent employment for those out of work or changing jobs.

Maryland SB 1045 amends the state's current definition of taxable service to include, "a permanent or temporary employee or contractor placement, including a service described under NAICS Sector 5613.) (Article – Tax – General 11-101(m)(14)(III), hereafter, collectively referred to as "staffing services."

For the following reasons, we oppose SB 1045's imposition of a state sales tax on staffing services. Such a tax will result in economic and social harm that will far outweigh the benefit that might flow from any increased revenues.

A Sales Tax on Staffing Services is a Tax on Jobs that will Will Harm Maryland's Workers and the State's Economy

Staffing firms employ more than 2.5 million temporary and contract workers in the U.S. every week—nearly 13 million annually—in virtually every job category, including industrial labor, office support, health care, information technology, and professional and managerial positions. In 2023, staffing firms employed nearly 215,000 people in Maryland.

In a comprehensive study commissioned by the American Staffing Association to examine the effect of a sales tax on staffing services, sales taxes were found to have a significant negative impact on temporary employment and, because of the resulting "ripple effect," on a state's overall economy.[1]

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[1] See "The Economic Impact of Extending State Sales and Use Taxes to the Temporary Help Supply Services Industry," Gerald M. Godshaw, Office of Federal Tax Services, Economic Analysis Group, Arthur Andersen (National Association of Temporary Services, 1993).

The study found that taxing staffing "effectively raises the cost of labor, which will reduce the demand for temporary services . . . [which], in turn, will reduce total employment and economic activity within the taxing jurisdiction." Moreover, the study observed that a reduction in the demand for staffing services will increase the labor supply, which will cause employee wages to go down.

The study estimated that for every one percent of tax on staffing services, temporary employment will go down by 2.13 percent, with a corresponding reduction in wages of 0.44 percent. After taking into account that some displaced temporary workers will find permanent jobs, the study *conservatively* estimated that every one percent of tax will result in a 0.8 percent decrease in temporary jobs.

The study also found that a tax on staffing has a significant ripple effect on other industries. Reducing the number of temporary jobs reduces the support services associated with temporary work, such as telephone service and other utilities, which reduces employment in those industries. Fewer temporary jobs also means less spending by those who are no longer working, which will cause declines in other sectors of the economy.

Similar conclusions with respect to the economic effects of a sales tax on staffing services were reached in an independent study by University of Cincinnati economists in 1999.[2]

The job losses that result from taxing staffing services not only reduce expected tax revenue, but also likely reduce income tax and other tax collections throughout the state. Further, the state can expect a likely increase in unemployment insurance payments and other social welfare costs.

The unavoidable conclusion is that a sales tax on staffing services is largely, if not entirely, self-defeating.

A Sales Tax on Staffing Services Hurts Small Businesses in the State and Encourages Inefficient Use of Resources by Large Businesses

Taxes on business services such as staffing place small, locally-owned businesses at a competitive disadvantage. Small businesses often rely on outside firms to provide them with accounting, bookkeeping, secretarial, and other services, many of which are provided by staffing firms. Taxing those services raises the cost of doing business for small companies, since, unlike larger firms, they generally do not have the ability to avoid the tax by hiring in-house staff.

A Sales Tax on Staffing Services Results in "Tax Pyramiding"

When customers of staffing firms absorb sales taxes, this creates an unfair pyramiding of taxes where the final product or service is also likely subject to sales taxation. Such "pyramiding" is harmful to consumers, who effectively are taxed at least twice on the same product.

Imposing a Sales Tax on Staffing Services Places the State at a Competitive Disadvantage with Neighboring States

Because sales taxes exert a significant dampening effect on jobs and overall economic activity, a state that taxes business services will likely find itself at a competitive disadvantage with neighboring states that do not.

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[2] See "Sales Taxes on Temporary Employment Services: Economic Considerations," Sourushe Zandvakili and Nicolas Williams, Department of Economics, University of Cincinnati (Sep. 1999).

Conclusion

Imposing a sales tax on staffing services in Maryland would impose serious, and unnecessary, economic burdens on staffing firms that ultimately would hurt their employees. These burdens would instead drive up the cost of staffing services, reduce workforce flexibility, and severely damage an industry that is vital to Maryland's workers and economy.

We respectfully ask that you vote against SB 1045, or in the alternative, strike Article – Tax – General 11-101(m)(14)(III) of the proposed legislation.

Very truly yours,

Toby Malara

Toby Malara, Esq.
Vice President, Government Relations
American Staffing Association

SB 1045 - Sales Tax on Services - NAIOP - UNF - B

Uploaded by: Tom Ballentine

Position: UNF

NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

March 10, 2025

The Honorable, Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, Maryland 21401

Unfavorable: SB 1045 – Sales Tax on Services

Dear Chair, Guzzone and Committee Members:

The NAIOP Maryland Chapters represent more than seven hundred companies involved in all aspects of commercial, mixed-use, and light industrial real estate. On behalf of our member companies, I am writing to recommend your unfavorable report on SB 1045 which would impose a 2.5% sales tax on business-to-business services, including many listed in the shadow box to the right that affect commercial real estate.

NAIOP strongly opposes SB 1045 because expanding the sales tax to services purchased and provided by commercial real estate will:

- **Further weaken Maryland's position when competing with lower tax, higher growth states for capital investment and national tenants**

Rasing an additional $1 billion annually in sales tax revenues would require taxing $40 billion in business services transactions. The result would increase sales tax revenues by 16.9% compared to 2024.

NAIOP's member companies compete for tenants and investment capital on a regional and national basis. Maryland's slow growth, unfavorable tax structure and building energy performance standards are already negatively influencing decisions about leasing and allocation of capital to the state. SB 1045 imposes taxes that increase operating and production costs, undermining the value proposition for companies to locate and remain in Maryland office, retail, and warehouse space.

Almost any office, warehouse distribution or professional service function in Maryland can be provided from a neighboring state. While the final sale may be subject to Maryland tax the intermediate taxes can easily be avoided by leasing office, retail, and warehouse space in an adjacent state. The local effects will be felt hardest in business centers adjacent to Virginia. It is only 11 miles from Bethesda to Tysons Corner.

- **Increase consumer costs by embedding the sales tax in the operating expenses and overhead of thousands of businesses.**

The tax on facility operations, maintenance and repair of heating and air conditioning and hydraulic equipment, forklifts, and materials handling equipment, as well as general business services increases the overhead of companies producing and distributing goods and services to the public. By

Taxable Commercial Real Estate Related Services

- Commercial facilities operational support services
- HVAC repair and maintenance
- Pest control
- Landscaping
- Hydraulic equipment repair and maintenance
- Locksmiths, security system maintenance and repair
- Cleaning of building exteriors, chimney, ventilation, duct, drains and gutters.
- Traffic engineering
- Environmental consulting (Geotech, forest, land, air, and water, building remediation)
- Heavy truck maintenance
- Construction equipment, material handling equipment, forklifts, and conveyors maintenance
- Maintenance of restaurant cooking and commercial refrigeration equipment

Taxable General Business Services

- Accounting, payroll, and bookkeeping
- IT, data processing and web hosting
- Office administrative support and management
- Employee and contractor placement
- Consulting
- Public Relations
- Photography, design, and printing
- Marketing and Market research
- Financial planning and tax preparation

U.S. Mail: 12 Francis St. Annapolis, MD 21401 **Phone:** 410.977.2053 **Email:** tom.ballentine@naiop-md.org

taxing the intermediate services purchased by these businesses the bill would function as a tax on in-state production and distribution, increasing final sales prices to the public at rates higher than the 2.5% rate in the bill.

- **Pyramid the tax by applying it to land development services inflating costs of finished lots and buildings.**

The sales tax would apply to many services related to land development projects such as environmental consultants and traffic engineers. Applying the sales tax at this stage would embed sales taxes into contractor and subcontractor invoices at the earliest stages of real estate projects incrementally increasing transfer, recordation, and real estate taxes applied to the finished lots and associated buildings.

- **Exacerbate the disproportionate share of government services financed by commercial real estate.**

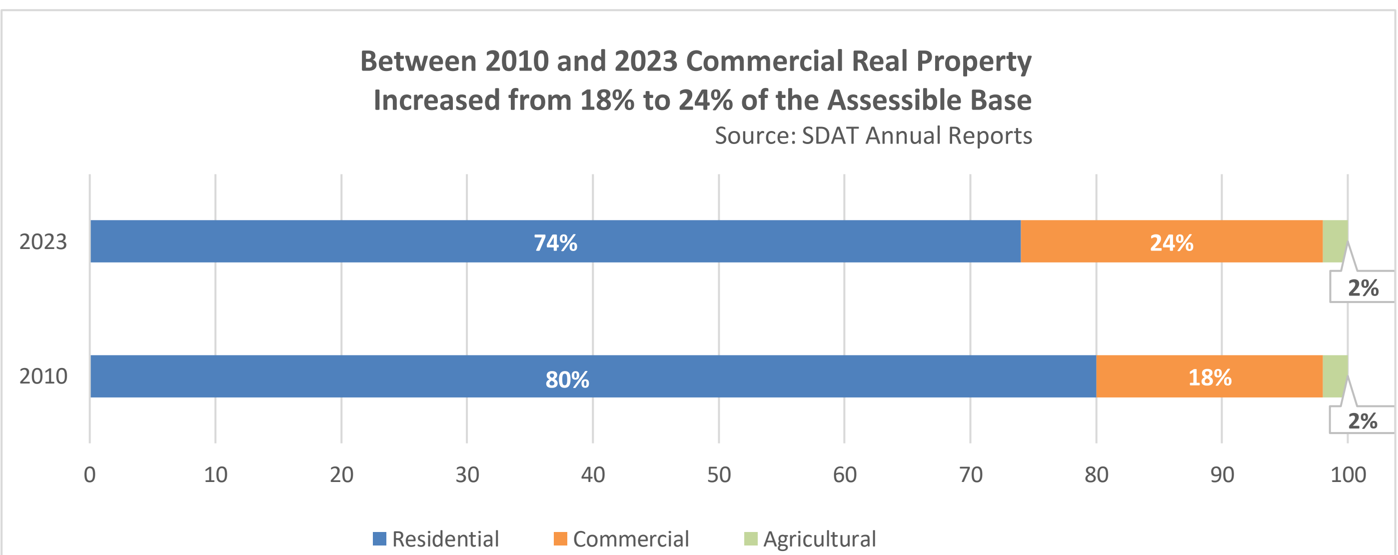
Commercial real estate generates more net tax revenue than any other class of property. The business-to-business sales tax would stack on top of transfer and recordation taxes, impact fees and real property taxes further exacerbating the disproportionate share of government services funded by commercial real estate.

Between 2010 and 2023 the commercial real estate tax base grew by 60% ($81 billion). Over that same time period the residential tax base grew only 11% ($68 billion) as it struggled to recover from the great recession.

2010-2023 The Commercial Real Property Tax Base Increased 60% ($81 billion)
Offsetting 11% ($61 billion) Increase in the Residential Tax Base

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	'10-'23	Pct
Residential	598.7	577.4	530.0	501.0	489.6	502.2	531.1	536.7	554.2	571.1	588.7	608.4	632.3	666.8	68.1	11%
Commercial	135.4	140.0	145.9	143.5	160.9	169.0	169.0	177.1	185.2	190.8	198.5	203.0	208.1	216.7	81.3	60%
Agricultural	13.6	13.5	12.7	12.1	11.8	11.9	12.0	12.2	12.3	12.4	12.6	13.0	13.4	14.1	0.5	4%

Values in Billions of Dollars, Source: SDAT Annual Reports



Growth in the real estate tax base during that time resulted in commercial property owners paying a larger percentage of the cost of government services. In 2010 commercial property comprised 18% of the total assessable base. By 2023 commercial estate had grown to 24% of the real property tax base.

- **We do not see how our member companies and vendors can comply with the effective date of July 1, 2025**

Making this tax operational by the effective date in the bill poses significant challenges. Commercial real estate companies will need significantly more time to make this operational with thousands of tenants and vendors. There are terms like business entity that are undefined and need to be clarified. The gray area between overlapping NAICS codes need clarification. Service contracts and leases may have to be amended to implement the sales tax.

- **The sales tax increases in SB 1045, combined with the BEPS energy use fines in HB 49 / SB 256 and the higher commercial property tax rates in HB 23, set the stage for a commercial real estate financial crisis in Maryland.**

In the decade between 2010 and 2020 expansion of the commercial real estate tax base backfilled sluggish growth in the residential tax base. But that was a time of strong job growth, lower interest rates, lower inflation, lower energy costs and higher office occupancy rates. Today, valuations of commercial property and new commercial construction are not supported by those positive economic influences. Raising taxes under these circumstances is a major concern.

The tax increases in SB 1045 equate to a 16.9% increase in overall sales tax revenues compared to 2024. For commercial real estate, the tax will increase operating expenses and decrease operating income which immediately puts downward pressure on commercial real estate valuations and the real estate tax base.

Beyond that, NAIOP urges the General Assembly to carefully consider how much financial pressure will be put on commercial building owners and occupants by the combined policy impacts of SB 1045, HB 49 / SB 256 – Building Energy Performance Standards – Compliance and HB 23 Property Tax – Special Rates for Commercial and Industrial Property.

HB 49 / SB 256 authorizes the Maryland Department of Environment to allocate electricity use by building type and assess a non-compliance fee equivalent to $0.17 per kwh for energy use above established limits. Based on MDE's previously published energy use limits, commercial and multifamily buildings will face extraordinarily high fees under the authority granted in HB 49 / SB 256.

HB 23 authorizes the counties and Baltimore City to set higher property tax rates for commercial and industrial property. The bill caps the so-called special rates at $0.125 per $100 of assessed value. Based on current local rates, this would allow counties to increase commercial and industrial property taxes by 12%.

These policy decisions will put significant financial pressure on commercial and multifamily real estate when properties in certain markets are struggling with vacancies, inflation, and high interest rates.

In the fourth quarter of 2024, the Rockville – Bethesda office market, containing more than 52 million square feet had a vacancy rate of 20.5%. Baltimore City Center, an office market containing more than 12 million square feet had a vacancy rate of 28.2%. The buildings in these markets are financed based on and average vacancy rate of 10%.

One NAIOP member owns three Class A office buildings in Baltimore. The three buildings are worth 40% of their pre COVID purchase prices despite the ownership group making improvements valued at more than $200 million.

These markets do not have the ability to absorb sharp increases in operating costs.

<u>For these reasons, NAIOP respectfully recommends your unfavorable report on SB 1045</u>.

Sincerely,

T.M. Ballt

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Budget and Taxation Committee Members
Nick Manis – Manis, Canning Assoc.

HCAM Opposition Letter HB1554 - SB1045.pdf

Uploaded by: Traci Kodeck

Position: UNF

HealthCare Access MARYLAND
COVERAGE. CARE. CONNECTIONS.

March 10, 2025

Chair Vanessa E. Atterbeary
House Ways and Means Committee
130 Taylor House Office Building
Annapolis, MD 21401

Chair Guy Guzzone
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Dear Chair Atterbeary and Chair Guzzone,

On behalf of HealthCare Access Maryland (HCAM), I am writing to OPPOSE House Bill 1554/Senate Bill 1045: Sales and Use Tax – Taxable Business Services – Alterations. I serve as the CEO of HCAM, a 501c3 nonprofit organization based in downtown Baltimore.

HCAM connects Maryland residents to health insurance coverage, healthcare services, and supportive resources. We have served as the Medicaid Eligibility unit for Baltimore City residents since 1997, and we are a Connector Entity of the Maryland Health Benefit Exchange. We serve more than 60,000 individuals statewide each year. Our programs primarily serve low-income Marylanders and those with complex health care needs, including justice-involved individuals, youth in foster care, pregnant and post-partum individuals, and individuals with behavioral health conditions.

HCAM's programs are funded through grants and contracts, with limited administrative funds for essential operating costs like IT, accounting and payroll services. The proposed tax on our core operating and infrastructure costs would significantly strain our already limited operating budget, negatively impacting our ability to provide high-quality and necessary health insurance enrollment and care coordination services to Marylanders. If passed, this bill would impact our nonprofit's continued financial sustainability. **We urge you to oppose HB1554/SB1045.**

Sincerely,

Traci Kodeck

Traci Kodeck, MPH
CEO
HealthCare Access Maryland

Marriott Senate Testimony in Opposition to SB1045
Uploaded by: Travis Cutler
Position: UNF

Marriott INTERNATIONAL

7750 Woodmont Avenue
Bethesda, MD 20814

SENATE BILL 1045
BUDGET AND TAXATION COMMITTEE

STATEMENT OF OPPOSITION

March 10, 2025

Marriott International, Inc. is a global lodging leader headquartered in Bethesda, Maryland. Since its founding in 1927 as a 9-seat root beer stand in Washington, DC, the company has grown to comprise more than 9,300 properties in 144 countries and territories, including over 100 hotels and 10,000 associates here in the State of Maryland.

Marriott opposes SB 1045 and respectfully requests an Unfavorable report from the committee.

As a practical matter, a tax on services functions as a tax on business inputs and in-state production of intangible – but vital – goods. In our case, Marriott International's global headquarters in Bethesda, Maryland, provides the infrastructure supporting a global network of hotels and regional offices. This includes revenue, technology, marketing, brand, and operations services sold as a bundle of professional services to hotel owners in Maryland and around the world. Many of the costs we bear in creating and maintaining these offerings stem from services procured in Maryland that form the foundation on which this network can operate soundly.

From a competitive standpoint, SB 1045 would likely put Marriott at a pricing disadvantage compared to other hotel brands headquartered outside the state of Maryland as we look to sell our services to hotel owners around the world. Marriott spends millions procuring professional services in Maryland from consultants, information technology firms, and other vendors. If non-Maryland based hospitality companies can procure similar inputs without a 2.5% surcharge, they will in turn offer hotel owners a significantly more attractive price to affiliate with their brand.

The ripple effect of increasing costs on our operations within Maryland bears emphasis as well. SB 1045 would apply this new tax to some services charged to our hotel owners, disrupting the pricing of long-term contracts. These contracts are structured around a variety of revenue metrics and the legislation would up-end critical financial assumptions within the agreements, ultimately harming our in-state owner partners, many of whom are small business owners.

Taxing services is widely considered to be difficult to administer, which is why states like Florida, Michigan and Massachusetts have repealed past efforts to enact such a tax. Extending a sales tax to business services, especially those used by entities operating in multiple jurisdictions, creates significant compliance costs for both taxpayers and state tax administrators. There are a variety of administrative concerns to consider with such taxes, including how to source these services and interpreting what is taxable.

Marriott's longstanding presence in Maryland has helped sustain a diverse ecosystem of in-state businesses that provide a range of services in support of our operations. A tax on services as outlined in SB 1045 would disadvantage Marriott and other Maryland businesses, particularly when competing with out of state entities.

We urge an Unfavorable report and appreciate your consideration.

Contact:
Travis Cutler
Vice President, State Government Affairs.

ADO - MD Coalition Letter HB 1554_SB 1045 (002).pd

Uploaded by: Travis Frazier

Position: UNF

On behalf of our members and the undersigned organizations, we write to express our strong opposition to HB 1554 and SB 1045.

This proposal imposes a sweeping business-to-business tax that will burden nearly every business that operates in the State of Maryland. Businesses will be taxed for utilizing services provided by other businesses - this is unheard of in America. Additionally, as part of this sweeping proposal, advertising will also be directly taxed, something that no other state in America does.

At a time when Governor Wes Moore has rightly emphasized making Maryland more competitive, this proposal does the exact opposite. Not only would this harm businesses of all sizes, but it would undermine Maryland's economy at a time when the state should be working to attract investment. A new tax on businesses will stifle economic growth, deter investment, jeopardize jobs across the state.

Despite these very real consequences, Maryland legislators are poised to push through legislation that is diametrically opposed to Governor Moore's very clear policy objectives.

HB 1554 and SB 1045 establishes a punitive tax on all business-to-business services, data processing, and advertising. No other state has enacted such a destructive tax, and none of Maryland's regional neighbors have either.

Advertising is a key driver of economic activity - employing nearly 470,000 Marylanders and contributing $93.8 billion annually to the state's GDP. Advertising helps businesses reach new customers, expand their operations, and create jobs. By increasing the cost of advertising, this tax will discourage companies from marketing their products and services, resulting in lower sales, job losses, and a weaker local economy. This is especially damaging for small businesses, which rely on affordable advertising to compete with larger corporations. Additionally, local media outlets—already facing financial challenges—would see their advertising revenue shrink, potentially leading to job cuts and reduced news coverage for Maryland communities.

Maryland is already facing a nearly $4 billion budget deficit, and this approach will only make matters worse. Instead of fostering economic expansion to increase revenue, taxing advertising will suppress business activity, leading to reduced sales, lower tax collections, and further economic contraction. Penalizing businesses for promoting their products and services is not the solution to Maryland's financial challenges.

If the members of the Maryland General Assembly convened a summit to discuss ways in which they can destroy Maryland's business environment and increase prices on all Marylanders, HB 1554 and SB 1045 would be the perfect place to start.

However, this is the real world, and not a fantasyland. This proposal would have a devastating impact on real people. Marylanders are already navigating significant economic pressures including the lingering effects of runaway inflation. Additional taxes would only compound these challenges, driving people and investments out of the state. Maryland business owners and entrepreneurs already face extreme headwinds – the last thing they need is to be taxed on the activities they rely on to operate.

We urge members of the Maryland General Assembly to reconsider this approach and heed Governor Moore's call to make Maryland a more competitive state for business. Stand with Maryland businesses and oppose HB 1554 and SB 1045.

* * *

Opposition to HB 1554 -SB 1045.pdf
Uploaded by: Ty DeMartino
Position: UNF

Ty DeMartino
80 West Main Street
Frostburg, MD 21532
301.707.5012
tydemartino@yahoo.com

March 10, 2025

To Members of the Legislature:

This letter is to express my opposition to **HB 1554/SB 1045** that would create a new 2.5% tax on essential business services including marketing and public relations in the State of Maryland. Of course, when you directly target a group of marketing professionals, they KNOW how to get the word out.

I received several calls and emails from my marketing/PR colleagues here in Western Maryland, one of the poorest areas in the State. As a lifelong resident of Maryland, I have worked as a marketing/publication specialist for most of my career. Many of those years have been working in a freelance (1099) capacity. This new tax would further harm freelancers who are already struggling in a work environment threatened by AI advances and those believing that “anyone with editing software on their phone” can create a marketing video.

Living in Western Maryland, my personal services are used to create tourism marketing videos to attract individuals to our area and its offerings. Some of my videos have won awards and increased visitors from out-of-state. The other half of my time is used to help promote community organizations that want to showcase their services, which are often -- and not to sound *too* dramatic -- life-saving. I’ve created videos for school lunch programs for youth, those struggling with addiction, services for the elderly and other at-risk communities. Of course, being in an economically challenged area, my colleagues and I do not charge outrageous pricing for our services. This additional tax will definitely affect our incomes and make us reconsider offering our services. Why should we be punished for helping our neighbors <u>and our State</u>?

While the list includes many other services that will receive this extra 2.5% tax (*Accounting, payroll and bookkeeping services; Office administrative support services; IT services, data processing and web hosting; Employee and contractor placement services; Consulting services; Scientific and development services; Photography, design and printing services; Landscaping and property maintenance; Repair services for electronics, machinery and vehicles; Financial planning and tax preparation; Non-real estate appraisal services; and Valet and parking services*), I can only speak on behalf of the PR/marketing professionals. But in reviewing this list, it <u>does</u> feel like you’re picking on the “little guy” in many of these instances. Valet parking attendants??? Come ON! Please reconsider.

On behalf of myself and the other marketing/public relations professionals from Western Maryland, I implore you -- **<u>DO NOT PASS HB 1554/SB 1045</u>.**

Sincerely,

Ty DeMartino
Frostburg, Maryland

MDFB - Opposition - SB1045 Sales and Use Tax - Tax
Uploaded by: Tyler Hough
Position: UNF

Maryland Farm Bureau

3358 Davidsonville Road | Davidsonville, MD 21035
410-922-3426 | www.mdfarmbureau.com

March 12, 2025

To: Senate Budget and Taxation Committee

From: Maryland Farm Bureau, Inc.

RE: Opposition SB1045 - Sales and Use Tax - Taxable Business Services – Alterations

On behalf of the nearly 8,000 member families of the Maryland Farm Bureau, I submit written testimony in opposition to SB1045 Sales and Use Tax - Taxable Business Services – Alterations which proposes an expansion of the sales and use tax to include a broader range of business services.

Agriculture is not just a sector of Maryland's economy; it is its backbone. Many of the newly taxable business to business services outlined in the bill such as accounting, consulting, equipment repair, and property maintenance are not luxuries but essential components of farm operations. These proposed tax increases directly threaten the financial viability of farms, which already operate under intense economic pressure. Raising the cost of these necessary services will make it significantly harder for farmers to maintain their equipment, manage their businesses, and compete in an increasingly challenging market.

Furthermore, the agriculture industry is uniquely vulnerable to fluctuations in costs, as farm incomes are largely dependent on unpredictable factors such as weather, commodity prices, and market demand. Unlike other industries, farmers have virtually no ability to pass these added costs on to consumers. This bill will effectively penalize those who provide the food, fiber, and fuel that sustain our communities. If enacted, it will weaken rural economies, jeopardize family farms, and make it even more difficult for the next generation of farmers to succeed.

While we understand the need for revenue, we urge lawmakers to recognize that taxing the essential services that keep farms running is neither fair nor sustainable. We strongly encourage you to reconsider this proposal and explore alternatives that do not place an undue burden on Maryland's agricultural community.

We would welcome the opportunity to discuss this issue further and advocate for solutions that support both economic growth and the preservation of Maryland's farming heritage. Thank you for your time and commitment to the future of our state's agriculture.

Maryland Farm Bureau Opposes SB1045

Tyler Hough
Director of Government Relations

Please contact Tyler Hough, though@marylandfb.org, with any questions

SB1045 Written Testimony.pdf
Uploaded by: Tyler Post
Position: UNF

WAGNER, KAPLAN, DUYS & WOOD LLP

Sales and Use Tax – Taxable Business Services – Alterations
SB1045
Senator Hettleman
<u>Annapolis, MD</u>

To whom it may concern,

On behalf of Wagner, Kaplan, Duys & Wood LLP (WKDW), we oppose (UNF) bill number SB1045, Sales and Use Tax – Taxable Business Services – Alterations.

Sincerely,

WKDW Team

Tyler Post, HR Director

1101 Wootton Parkway • Suite 950 • Rockville, Maryland 20852
• (301) 762-5900 • (301) 762-5996 Fax

SB 1045 - Quercus.pdf
Uploaded by: Vanessa A. Finney
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I own and manage a small business, Quercus, Incorporated, which serves to offer management services to a number of Maryland non-profit organizations. I write to express strong opposition to Senate Bill 1045. The burden this bill places on the clients I serve is one significant issue. The second is the more tax I have to pay to run my small business, the fewer funds I have to offer wage increases to my employees.

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. My business services, which for the most part are managerial and administrative, can be completed by other companies, either virtually or physically in another state, threatening the viability and continuity of my business. In addition, if I have to pay more for the services required to run my business, then I will not be offering salary increases for my employees. You can't have it both ways. There are only so many dollars available. Employee wages will be hurt by employers' increased burden to pay sales taxes.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate

concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Vanessa A. Finney

President

Quercus, Inc.

Subject: Urgent Opposition to HB 1554/SB 1045 – Protect Home Healthcare Services

Dear Legislators,

I am writing to **strongly oppose** House Bill 1554/Senate Bill 1045: *Sales and Use Tax – Taxable Business Services – Alterations.*

My name is Veronika Kushnir, and I am an HR Manager at HomeCentris HealthCare, a **Medicaid-enrolled provider** delivering essential in-home healthcare services to Maryland's elderly and individuals with disabilities. This bill would create **devastating financial burdens** on home healthcare providers and ultimately harm the vulnerable populations we serve.

Here's why HB 1554/SB 1045 must be stopped:

1. **Increased Costs for Essential Care** – The proposed expansion of taxable business services would significantly raise operating costs for home healthcare agencies. With already limited Medicaid reimbursement rates, these additional expenses would **directly reduce the resources available for patient care.**
2. **Reduced Access to Home-Based Care** – Higher operational costs will force many providers to **cut services, reduce staff, or even close their doors.** This will leave thousands of seniors and individuals with disabilities without the care they rely on to remain safely in their homes.
3. **More Expensive Alternatives for the State** – Without access to home healthcare, many individuals will be forced into **nursing homes or hospitals, which cost the state significantly more** in Medicaid expenses. Home-based care is a proven cost-saving solution, preventing unnecessary hospitalizations and long-term facility placements.
4. **Severe Workforce Shortages** – The home healthcare industry is already facing a **caregiver shortage**, and this tax burden will make it even harder to recruit and retain skilled professionals. If providers are forced to **cut wages, reduce hours, or downsize staff,** fewer caregivers will be available to meet the rising demand for home-based services.
5. **Disproportionate Impact on Vulnerable Populations** – This bill would **directly harm Maryland's elderly, disabled, and low-income residents** who depend on Medicaid-funded home care. Many families simply **cannot afford private-pay options**, and reducing Medicaid services will leave them with no viable care alternatives.

For these reasons, I urge you to **reject HB 1554/SB 1045** and protect the integrity of Maryland's home healthcare system. We must ensure that our seniors and most vulnerable residents continue to receive the compassionate, cost-effective care they deserve.

Thank you for your time and consideration.

Sincerely,
Veronika Kushnir
HR Manager
HomeCentris HealthCare

Subject: Urgent Opposition to HB 1554/SB 1045 – Protect Home Healthcare Services

Dear Legislators,

I am writing to **strongly oppose** House Bill 1554/Senate Bill 1045: *Sales and Use Tax – Taxable Business Services – Alterations.*

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For these reasons, I urge you to **reject HB 1554/SB 1045** and protect the integrity of Maryland's home healthcare system. We must ensure that our seniors and most vulnerable residents continue to receive the compassionate, cost-effective care they deserve.

Thank you for your time and consideration.

Sincerely,
Veronika Kushnir
HR Manager
HomeCentris HealthCare

SFG Testimony SB1045 signed.pdf
Uploaded by: Virginia Frazier
Position: UNF

SANKOFA
FINANCIAL GROUP

Virginia Frazier, CPA
9101 Cherry Lane – St 101
Laurel, MD 20708
301.244.0288
www.sankofafinancial.net

SB 1045 - Sales and Use Tax - Taxable Business Services - Alterations
House Budget and Taxation Committee
March 10, 2025
Legislative Position: UNFAVORABLE

Dear Chair Guzzone and Members of the Committee,

My name is Virginia Frazier, and I am CPA located in Laurel, MD. I am writing to express my strong opposition to SB 1045, which would impose sales tax on a wide range of business-to-business (B2B) services, including accounting and tax services.

This proposal is deeply concerning because

- **Hurts small businesses and startups.** Many of my clients are small businesses who rely on professional services to stay compliant with tax laws and financial reporting. Adding a sales tax burden makes it harder for them to compete and to get access to the services they need to grow their businesses.
- **Creates compliance challenges.** As a tax professionals, I already work very hard to ensure my businesses and my clients meet complex state and federal tax requirements. Applying sales tax to these services will add another layer of unnecessary administrative burdens.
- **Weakens Maryland's business competitiveness.** Other states that have considered taxing professional services have faced strong backlash or repealed such measures due to their negative economic impact. This bill would put Maryland at a disadvantage compared to neighboring states and will cause many business owners to move to other states where these taxes are not imposed.

For these reasons, I respectfully urge an **UNFAVORABLE** report on SB 1045. Maryland businesses should not be penalized for seeking professional expertise to remain compliant and financially healthy.

Thank you for your time and consideration. I appreciate your service to our state and would be happy to discuss this issue further.

Sincerely,

Virginia E. L. Frazier

Virginia E. L. Frazier, CPA
virginia@sankofafinancial.net

Senate Testimony SB1045 Curio Wellness 03.10.25.pd

Uploaded by: WENDY BRONFEIN

Position: UNF

CURIO WELLNESS

Curio Wellness Written Comments
SB1045 Hearing – Wednesday, March 12, 2025

Honorable Members of the Maryland General Assembly,

I am writing to express strong opposition to Senate Bill 1045, a measure that, if enacted, would impose an undue financial and operational burden on Maryland's cannabis industry, who already navigate a uniquely challenging regulatory and economic landscape.

Punitive Taxation Without Standard Business Deductions

Unlike other industries, cannabis operators are severely restricted in their ability to deduct ordinary business expenses due to federal prohibition and Internal Revenue Code Section 280E. This means that federally every dollar of revenue is taxed at an exceptionally high effective rate, as businesses cannot deduct expenses such as rent, payroll, or marketing. Adding a state-level business-to-business tax only compounds this burden, further squeezing an industry that already faces an extraordinarily high cost of compliance.

The Burden of Taxing Separate but Related Entities

Under Maryland's existing regulatory framework, cannabis operators holding multiple licenses must treat each license as a distinct business entity due to the state-mandated seed-to-sale tracking system. While these licenses may be held under a single corporate umbrella, each operates as an independent business, a requirement dictated by the state itself. As a result, the proposed business-to-business tax structure would force cannabis operators to effectively tax themselves when transferring services between their own legally distinct licenses. This creates a redundant and punitive taxation structure that does not align with standard business taxation principles and significantly increases operational costs.

Federal Tariffs and Additional Economic Barriers

Maryland cannabis operators already struggle with economic headwinds imposed at the federal level, including tariffs and banking restrictions. These barriers make it exceedingly difficult for operators to maintain profitability and invest in growth. A state-imposed business-to-business tax would introduce yet another layer of financial hardship, exacerbating the economic disadvantages already imposed on this industry.

A Contradiction to Maryland's Generational Wealth Goals

The state of Maryland has emphasized the importance of using its cannabis program as a vehicle for creating generational wealth, particularly for communities historically harmed by prohibition. However, Senate Bill 1045 directly contradicts this goal by imposing additional financial burdens on an industry already facing exorbitant start-up costs and what is often referred to as the "cannabis tax"—the reality that businesses operating in state-legal cannabis face inflated costs simply due to their industry. With high barriers to entry and an inability to write off standard business expenses, cannabis operators are already at a disadvantage compared to other industries. The introduction of yet another tax further erodes profitability and disproportionately harms small and minority-owned businesses striving to build long-term economic stability. Instead of fostering generational wealth, this bill would create additional obstacles that make it even more difficult for Maryland's cannabis entrepreneurs to succeed.

Conclusion

The cannabis industry in Maryland is already highly regulated, heavily taxed, and uniquely disadvantaged due to federal restrictions. Senate Bill 1045 would unfairly penalize multi-license operators, impose duplicative taxation, and hinder the ability of businesses to succeed. Rather than implementing additional taxation, Maryland should be seeking ways to support this emerging industry, ensuring its long-term sustainability and success. We urge the legislature to omit the cannabis industry from Senate Bill 1045 which aligns with Maryland's broader commitment to fostering a pro-business climate and supporting generational wealth creation.

Curio Wellness

Founded and based in Maryland, Curio Wellness is a family-owned and operated cGMP certified cannabis company and trusted wellness partner. We're dedicated to increasing the accessibility of high-quality cannabis to the growing population of citizens who seek safe, effective, and reliable products. Available in over 90 dispensaries across Maryland, our focus on innovative and high-quality products and services has made Curio a market leader in Maryland. Moreover, as an organization, Curio knows that a diverse and inclusive workforce creates an optimum workplace that attracts and retains talented employees and loyal customers. In fact, this commitment to diversity has been present since inception with Curio's inaugural leadership team comprising a multi-racial group of men and women. As the company has grown, so has its focus on a diverse team of workers and leaders. Overall, 40% of the Curio Wellness workforce is female and 44% identifies as Black, Hispanic, Asian, American Indian or Alaska Native, or multi-racial. Among management, 39% are female and 27% identify as Black, Hispanic, or multi-racial.

Respectfully submitted,
Wendy Bronfein
Co-Founder, Chief Brand Officer & Director of Public Policy
March 10, 2025

SB1045-Written OPPOSITION-MSS.pdf
Uploaded by: William Bower
Position: UNF

Maryland Society of Surveyors

SB1045 – Sales & Use Tax

SB1045 proposes to impose a tax on professional services. This new tax would have a detrimental effect on the cost of construction by imposing the tax on professional services rendered in support of contraction projects.

Many small, sole proprietor survey firms rely on outside legal, accounting, and administrative services, which would be taxed as well. This new tax burden would disproportionally affect these small businesses that don't have these professionals on staff.

Sales tax is not uniform across all States, this would put Maryland firms at a competitive disadvantage when competing for projects with firms from other States. This may drive firms to leave Maryland.

A sales tax is expensive for both the government and private sector to administer. On many projects, design firms hire outside subconsultants that provide specialty services, such as geotechnical engineering, traffic control teams, and subsurface utility locators. If a surveying firm were working for MDOT, or other State or County agencies, and utilized subconsultants, those subconsultants would be taxing the private firm, but the firm could not charge the tax to the government agency that hired them. This would make tracking the taxes overly complicated and would impede job growth among small businesses.

Finally, a tax on professional services is very unpopular, as only four states currently impose a sales tax on professional services. Florida imposed a sales tax several years ago and had to repeal it less than a year later, embarrassing the Governor and State Legislature.

Senate Bill 1045 will impose a new tax on professional services. History shows that this type of tax is very unpopular. This tax will increase the cost of doing business in Maryland, and therefore increase the cost of construction, at a time when Maryland is in an affordable housing crisis. The Maryland Society of Surveyors asks this committee to make an **unfavorable recommendation** for SB1045.

Respectfully,

William Bower, PE, PLS
Chairman, Government Affairs Committee
Maryland Society of Surveyors

SACC Letter Senate Bill 1045.pdf

Uploaded by: william Chambers

Position: UNF

Senate Bill 1045
March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

On behalf of the 700 businesses representing the Salisbury Area Chamber of Commerce, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For eastern shore businesses located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

200 E Church Street • Salisbury, Maryland 21801-0583 • 410-749-0144 • Fax 410-860-9925 www.salisburyarea.com • www.sbybiz.org

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Respectfully,

William R. Chambers
President/CEO

SB 1045 [Opposition 2025].pdf
Uploaded by: William O'Connell
Position: UNF

Real Property Section

To: Budget and Taxation Committee (Senate)

From: MSBA Real Property Section

Date: March 10, 2025 [Hearing Date March 12, 2025]

Subject: **SB 1045 – Sales and Use Tax - Taxable Business Services - Alterations**

Position: **Unfavorable**

The Real Property Section of the Maryland State Bar Association (MSBA) **opposes SB 1045 – Sales and Use Tax - Taxable Business Services - Alterations.** The bill seeks to extend the scope of Maryland's Sales and Use Tax to apply to many services that have, historically, never been subject to such tax. Broadly speaking, this change will add a 2.5% tax on business-to-business professional services. We join in the opposition filed by the MSBA's Tax Council and the MSBA.

Maryland already has some of the highest closing costs in the nation. A recent article in the Baltimore Sun, "Transfer taxes in Md. are fifth highest in U.S., study finds".
https://www.baltimoresun.com/2003/01/19/transfer-taxes-in-md-are-fifth-highest-in-us-study-finds/

Other studies have shown Maryland as the third highest. This is mostly due to Maryland's Recordation and Transfer tax scheme applicable to real estate transactions. Consumers in Maryland must pay a combination of State Transfer Taxes, County Transfer Taxes and Maryland Recordation Taxes in order to effect and record their purchase or refinance transactions. Adding additional taxes for services provided as part of the closing process would only serve to make it more difficult for first time homebuyers to achieve the American dream. It would also cause existing homeowners to rethink plans to move which in turn affects the supply of housing which in turn leads to higher prices for those that are for sale.

Real estate sales, financing, title insurance, abstracting, surveying, and settlements, are service industries. While the provisions of SB 1045 are not clear, it is possible that the tax will apply to virtually every step taken in the overall home sale and financing process: the title searcher's service in preparing a title abstract, the title insurer's services provided to its agents; the closing services provided by the title agents; the recording services to have documents placed on record; the surveyor who prepares a location drawing for the buyer; and, the accountant who keeps track of it all as well as the payroll services and other bookkeeping services and marketing services.. If the buyer or seller elect to be represented by counsel, attorneys' services could also be taxed. Each of these will not only directly impact consumers through the tax, itself, but the administrative costs of collecting and remitting the tax will add yet another layer of costs, ultimately passed onto the consumer. Every dollar of additional tax or fee on the purchase of real estate makes home buying that much more difficult for the average Maryland Resident.

The changes proposed warrant further study due to their potential social, economic and regulatory impact. In the past, this body has established commissions to study issues far less sweeping and life changing than the measures proposed under this bill. For these reasons we oppose SB 1045 and request that you issue an **unfavorable** report.

For these reasons, the Real Property Section of the MSBA **opposes Senate Bill 1045.** Thank you for your consideration.

SB 1045 William Steffey.pdf
Uploaded by: William Steffey
Position: UNF

Senate Bill 1045
Date: March 10, 2025
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

I am a commercial Real Estate salesperson who represents dozens of business owners and commercial property owners. I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. Customers located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Remember what happened to the state when Gov. O' Malley increased taxes. We had business and millionaire flight. **Maryland ranks 47th in the nation for business friendliness and is the fourth most expensive state for business operations.**

Sincerely,

William Steffey, CRE, CCIM

HB 1045 Opposition Testimony Letter 031025.pdf

Uploaded by: Wirt Winebrenner

Position: UNF

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ARCHITECTURE
LANDSCAPE ARCHITECTURE
INTERIOR DESIGN
PLANNING

March 10, 2025

The Honorable Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Opposition -
SB1045 – Sales and Use Tax – Taxable Business Services – Alterations

Dear Chair Guzzone, and Members of the Committee,

As a professional architect and owner of a firm that Is part of Maryland's architectural and design community, I write to express strong opposition to Senate Bill 1045. This legislation would expand Maryland's sales and use tax to business-to-business (B2B) services, imposing a 2.5% tax on essential professional services that architectural firms and design professionals rely on daily—engineering, consulting, accounting, IT, legal services, and more.

While we recognize the state's budgetary challenges, a B2B services tax is not the solution. Instead of fostering economic growth, this legislation undermines Maryland's businesses, increases costs, and creates a competitive disadvantage for firms across the state.

How SB 1045 Harms Maryland's Architecture & Design Industry

Unnecessary Financial Burden on Architectural Firms

Architecture firms operate on project-based budgets and rely on specialized professional services to execute complex designs. This tax would drive up costs, reducing profitability, limiting hiring potential, and discouraging investment in innovation and sustainability.

Tax Pyramiding: A Ripple Effect on Construction & Development

A B2B tax does not exist in a vacuum—it compounds at every stage of a project. When architects and engineers pay taxes on their services, those costs are passed on to developers, contractors, and ultimately the public. This increases construction costs, making projects less feasible, particularly for affordable housing, infrastructure, and historic preservation efforts.

Maryland at a Competitive Disadvantage

700 East Pratt Street
Suite 1200
Baltimore, Maryland 21202
P 410.837.7311
F 410.837.6530

www.hcm2.com

This legislation places Maryland at an economic disadvantage compared to neighboring states. Virginia and Delaware do not tax professional business services, making them more attractive for firms and clients alike. If SB 1045 is enacted, Maryland-based firms could see clients seeking services across state lines or even businesses relocating altogether.

Unintended Consequences for Small & Minority-Owned Firms

Small and minority-owned architecture firms will be disproportionately affected. Unlike large corporations with in-house legal, IT, and accounting departments, small businesses depend on outsourced services—all of which would now be taxed. This added cost could force firms to scale back operations, cut staff, or absorb unsustainable expenses.

Administrative and Compliance Burden

Beyond financial costs, this tax introduces new bureaucratic red tape. Architectural firms—many of which are small businesses—would be forced to track, collect, and remit taxes on professional services, diverting time and resources away from their core work: designing Maryland's future.

A Slippery Slope for Future Tax Expansion

Once in place, this tax will be difficult to control. There is nothing preventing future expansions to additional business services or increasing the rate beyond 2.5%. This uncertainty destabilizes business planning and investment in Maryland's design industry.

The Bottom Line: SB 1045 Hurts Maryland's Built Environment

If enacted, this tax will make projects more expensive, businesses less competitive, and innovation more difficult. At a time when Maryland should be investing in sustainable growth, historic preservation, and resilient infrastructure, SB 1045 takes the state in the wrong direction.

We urge you and the members of the General Assembly to reject SB 1045 and instead pursue pro-growth policies that support Maryland's architects, designers, and built environment professionals.

Sincerely,

W.S. "Peter" Winebrenner, III, AIA
Principal
Hord Coplan Macht, Inc.

I am Jerry Garson writing on SB 1045. I am opposed to the bill and ask you to vote no in committee.

As of now (5:00 PM Monday) the Fiscal and Policy Note has not been released by the Department of Legislative Services, so the Legislature can not see the projected losses in revenue caused by SB 1045.

What percentage of the jobs in the following business to you hope to lose in Maryland by passing this bill. These businesses can easily relocate to Virginia, Washington DC, Delaware, Pennsylvania, and West Virginia. The list of businesses is as follows.

Accountants
Advertising
Appraisals
Art, Music, and Cultural Affairs
Commerce and Business
Contractors
Landscape Architects
Lobbying
Motor Vehicle Repair
Photography
Sports and Recreation
Tax Preparers
Telecommunications and Information Technology

If these businesses relocate, they will stop paying sales taxes on purchases such as software and office supplies. There will also be a reduction in Maryland Real Estate taxes collected.

If these businesses relocate to Delaware, Pennsylvania, and West Virginia the Income Taxes will be paid to that State and the Residents of Maryland will get a credit that will reduce the amount of income taxes paid to Maryland.

Does the proposal also require Businesses in other states that receive the services from Maryland pay sales taxes to Maryland.

Will Marland businesses that use consultants that are in New York State have to pay Sales Tax to Maryland for these services.

SB 1045_MD Center on Economic Policy_INFO.pdf
Uploaded by: Kali Schumitz
Position: INFO

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

MARCH 12, 2025

Fair, Effective Tax Reform Should Focus on Profits Rather than Business Inputs

Letter of Information Regarding Senate Bill 1045

Given before the Senate Budget and Taxation Committee

House Bill 1554 aims to address three serious shortcomings of Maryland's current tax code. Our tax code is inadequate, falling billions short of the revenue we need to support vital public services like education, child care, and transportation. It is unfair, allowing powerful corporations to get out of paying their fair share. And it is outdated, leaving the growing services sector virtually untapped. However, this bill's approach is misguided. It does not effectively target large corporations and wealthy shareholders; nor does it follow consensus design principles endorsed by tax experts of all ideological stripes. **The Maryland Center on Economic Policy urges lawmakers to instead focus on taxing business profits through measures like worldwide combined reporting and closing the LLC loophole.**

Maryland's Sales Tax Is Outdated. Household consumption has shifted significantly during the last half century, with consumption of generally taxable tangible goods declining and consumption of generally untaxed services increasing. Services grew from 30% of nationwide household purchases in 1970 to 45% as of 2011,[i] and almost certainly account for an even higher share today. This shift is a major contributor to slow revenue growth that makes Maryland's sales tax a less effective part of our revenue system than it was in the past. As part of a broader reform package, a well-designed base expansion to tax certain services would strengthen Maryland's fiscal outlook.

However, experts near-unanimously advise against taxing business inputs. For example, the Institute on Taxation and Economic Policy,[ii] the Center on Budget and Policy Priorities,[iii] Ernst & Young in a report commissioned by the Council on State Taxation,[iv] and the Mercatus Center have all written on the disadvantages of applying the sales tax to business inputs.[v]

Sales taxes are inherently lopsided. For example, Maryland's sales tax is eight times as expensive for low-income families as for the wealthiest 1% (as a share of income).[vi] This is why even well-designed sales tax reforms are best as part of a broader package that taxes wealthy individuals, closes corporate tax loopholes, and strengthens working family tax credits.

Taxing business inputs is not more equitable. Because it is easy for businesses to pass taxes on in the form of higher prices, the bulk of revenue ultimately comes from working families:

- From a business's perspective, a tax on inputs is equivalent to an increase in those inputs' prices – just as for consumers, the retail sales tax is equivalent to paying a higher price. Businesses would respond to this increase in costs in the way they respond to any increase in costs – by raising prices.
- Any consumer good that has a multi-step supply chain would include multiple levels of taxes on the same product. This has the potential to significantly increase retail prices in a way that is opaque to the consumer.
- Taxing business inputs increases the ultimate price of essentially all products, including those that are

exempt from retail sales taxes. This means that consumers would newly pay hidden sales taxes on necessities such as groceries.

- Because the exemption for necessities in our current sales tax is intended to make it more equitable by reducing the taxes low-income families pay, taxing business services could make Maryland's sales tax more lopsided, not less.

There is no question that large, profitable businesses should contribute more to the public services that keep Maryland's economy going. Taxing business *profits* is the more effective way to do this. Why?

- When businesses decide how much to charge for their products or services, they aim to maximize profits.
- Taxing inputs shifts the profit-maximizing price. If after-tax unit production costs increase, businesses can reduce the impact on their margins by raising prices. Even if sales decline somewhat, that will partially offset the increase in total production costs. In other words, if a company charges more for widgets, it may not sell as many widgets, but it also does not have to make as many widgets.
- Taxing profits does not shift the profit-maximizing price. If a company pays 8.25% of profits in corporate income tax, the only way to pay less tax is to make less money. Because after-tax profits are always 91.75% of pre-tax profits, decreasing one invariably decreases the other.

There is a better way. The Fair Share for Maryland Act (House Bill 1014) includes multiple provisions to ensure big businesses pay their fair share:

- **Worldwide combined reporting** to prevent artificial profit-shifting to low-tax states or offshore tax havens
- **The throwback rule** to eliminate "nowhere income" when corporations make sales into states that lack legal authority to tax them
- **Closing the LLC loophole** that allows even giant companies to avoid corporate income taxes by organizing as pass-through entities

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[i] Michael Leachman and Michael Mazerov, "Four Steps to Moving State Sales Taxes into the 21st Century," Center on Budget and Policy Priorities, 2013, https://www.cbpp.org/research/state-budget-and-tax/four-steps-to-moving-state-sales-taxes-into-the-21st-century

[ii] "Chapter Three: Sales and Excise Taxes" in *The ITEP Guide to Fair State and Local Taxes*, Institute on Taxation and Economic Policy, 2011, https://itep.org/wp-content/uploads/guide3.pdf

[iii] Michael Mazerov, "Expanding Sales Taxation of Services: Options and Issues," Center on Budget and Policy Priorities, 2009, https://www.cbpp.org/research/state-budget-and-tax/expanding-sales-taxation-of-services-options-and-issues

[iv] Andrew Phillips and Muath Ibaid, "The Impact of Imposing Sales Taxes on Business Inputs," Ernst & Young for the Council on State Taxation, 2019, https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/1903-3073001_cost-ey-sales-tax-on-business-inputs-study_final-5-16.pdf

[v] Justin Ross, *A Primer on State and Local Tax Policy*, Mercatus Center at George Mason University, 2014, https://www.mercatus.org/system/files/Ross_PrimerTaxPolicy_v2.pdf

[vi] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf
Maryland-specific data available at https://itep.org/whopays/maryland/

SB 1045 - Letter of Information (letterhead).pdf

Uploaded by: Matthew Dudzic

Position: INFO

COMPTROLLER of MARYLAND
SERVING THE PEOPLE

Brooke E. Lierman
Comptroller

Matthew Dudzic
Director, State Affairs

Letter of Information

Senate Bill 1045 – Sales and Use Tax – Taxable Business Services – Alterations
Budget & Taxation Committee
March 12, 2025

The Office of the Comptroller is respectfully submitting this letter of information regarding Senate Bill 1045, Sales and Use Tax – Taxable Business Services – Alterations. SB1045 establishes a statewide business-to-business tax of 2.5% on certain services. As the state agency that will be responsible for implementing this tax, we are providing this letter to review what is needed to operationalize SB1045 and explore the proposed timeline.

While implementing a new tax is a complex process, barring unforeseen circumstances the Office of the Comptroller will be able to implement the tax proposed under SB1045 by the bill's effective date of July 1, 2025. Doing so, however, will require the reprioritization of some existing staff and additional resources, including five temporary call center representatives for six months to cover anticipated increased registrations (approximately $215,000; one-time cost) and three positions within Revenue Operations & Administration (one processor and two auditors; approximately $230,000, ongoing cost). Further, the existing contract for our tax system will require modification at an estimated cost of $400,000 (one-time cost).

Implementing SB1045 will require adding a new line to the SUT forms (both Maryland Tax Form 202 and 202F), programming across multiple business services vendors, and updating our regulations and guidance documents. We will also need to update our IT system and our online portal, Maryland Tax Connect, including both development and testing.

Several aspects of this proposal contribute to the agency's ability to implement it by July. First, the proposal is a single rate, rather than a variable rate based on the service type. Second, there are no special schedules. Third, there are no special revenue distributions. Fourth, this is largely a modification and expansion of the existing sales and use tax (SUT), rather than a truly new tax type. These four factors reduce many of the complications associated with bringing on new taxes, and it is important to retain these pieces as the bill is considered if the goal is to bring this program on by July.

If you have any questions, please do not hesitate to contact Matthew Dudzic, Director of State Affairs, at MDudzic@marylandtaxes.gov.

SB 1045 - LeanToo Consulting, LLC - M.Bloch - Info

Uploaded by: Maxwell Bloch

Position: INFO

Letter of Information on SB 1045
Before the Senate Budget and Taxation Committee

By: Maxwell Bloch, LeanToo Consulting, LLC
March 12, 2025

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Senate Budget and Taxation Committee, thank you for this opportunity to submit this letter of information about SB 1045. As a small business owner in Maryland, I applaud your efforts to balance our budget and foster a healthy economy.

As a provider of consulting services and digital products, and a business-to-business consumer of countless products and services, I implore you to consider the following topics. These are areas that I've identified would lead to confusion for myself or my current and prospective clients and business partners.

(Numbered only for ease of reference)

I. Businesses who do not already have a registration for a sales and use tax license may not be familiar with how to register or navigate.

II. Is the tax burden placed on the service provider, or the service consumer? My assumption would be upon the service consumer, as it is for existing goods and services. However, most goods and services purchased or consumed today against the Maryland 6% tax rate are facilitated by large marketplaces and established vendors collecting the sales or use tax on behalf of the consumer, and reporting it as such.
To my point above, there may be a number of service providers that I may engage with as a consumer who will not be prepared to collect the 2.5% sales and use tax for services.
This could create a landscape of confusion, and possible delayed tax collection.
I would urge the Comptroller to be lenient with imposition of late taxes in this area for several years.

III. Are there any expected exclusions? Again for new providers or consumers to taxable services, there may be confusion if a service provider is performing a business-to-business transaction with an exempted entity.
Consider the large number of services provided across the E-Maryland Marketplace. If a service provider begins collecting taxes universally without consideration for exemption,

they may be at risk of collecting taxes when they shouldn't.
Any guidance in this area especially geared towards businesses consuming or providing services would be beneficial.

Thank you for considering my comments, and for your tireless and valuable contributions to Maryland businesses.

Sincerely,

Maxwell Bloch

Owner

LeanToo Consulting, LLC