



March 12, 2025

House Ways & Means Committee

Bill #: **HB1554**

Position: **OPPOSE**

Chairman Atterbeary, Vice Chair Wilkins, and Members of the Committee,

We appreciate the opportunity to submit testimony regarding House Bill 1554. 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 House Bill 1554 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.



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.

House Bill 1554 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 House Bill 1554 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 House Bill 1554**.

Thank you for your time and consideration.

Sincerely,

Two handwritten signatures in black ink. The first signature, "Janna Howley", is written in a cursive style. The second signature, "Kelly F. Dudeck", is also in cursive and is underlined.

Janna Howley & Kelly Dudeck
Co-principals, Cultivate & Craft