

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,

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