

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

Dear Chairwoman, Atterberry and Members of the Committee,

As a proud representative of the local business community, I am writing to express my strong opposition to House Bill 1554, which proposes to expand Maryland's sales and use tax to essential business-to-business (B2B) services. This legislation would impose a new 2.5% tax on a wide range of services that businesses rely on daily, including accounting, IT support, consulting, and many others.

While I recognize the budget challenges facing Maryland, implementing a B2B service tax may provide a temporary fix but will create significant long-term issues for our economy and competitiveness. Below, I outline several reasons why this legislation would adversely affect Maryland businesses:

1. Economic Growth Stifling:

Imposing a new tax on essential B2B services could stifle economic growth by increasing operational costs for businesses. Higher expenses may deter companies from expanding or investing in innovation, ultimately slowing job creation and economic progress in Maryland.

2. Impact on Pricing Structures:

The introduction of a B2B service tax may lead to increased prices for consumers as businesses pass on additional costs. This could disproportionately affect lower-income households who rely on affordable services, exacerbating economic inequality. Small Businesses already struggle to pay for an outsourced accounting service.

3. Risk of Job Losses:

As businesses grapple with higher operational costs, there is a significant risk that they may need to downsize or eliminate positions to maintain profitability. This could lead to increased unemployment rates and a reduction in consumer spending power.

4. Discouragement of Entrepreneurship:

The added financial burden of a B2B service tax may discourage potential entrepreneurs from starting new businesses in Maryland. A higher cost of doing business can create a barrier to entry, stifling innovation and entrepreneurship across the state.

5. Inconsistent Tax Treatment:

This legislation could create inconsistencies in tax treatment across various sectors, leading to confusion and frustration among businesses. Different interpretations of taxable services may result in disputes with tax authorities, further complicating compliance.

Negative Impact on Service Quality:

As businesses face higher costs, they may be forced to cut corners or reduce the quality of the services they provide. This could ultimately harm consumers who rely on high-quality professional services for their own business operations.

7. Limited Consumer Choice:

With the tax potentially driving service providers to relocate or seek business outside of Maryland, consumers may face limited choices for essential services. This could lead to decreased competition and higher prices in the long run.

8. Detrimental to Economic Recovery:

In the wake of recent economic challenges, including the impacts of the COVID-19 pandemic, now is not the time to impose new financial burdens on businesses. A B2B service tax could hinder the recovery efforts of many companies still working to regain stability.

9. Compounding Regulatory Burden:

This tax proposal adds to the existing regulatory and compliance burdens that businesses already face. A more complex tax environment can divert attention and resources away from core business activities, hindering growth and productivity.

10. Lack of Transparency and Predictability:

The introduction of a B2B service tax may lead to a lack of transparency and predictability in business planning and budgeting. Companies may struggle to forecast their expenses accurately, creating uncertainty that can affect their long-term strategies.

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,

Deicy Rivera
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Owner

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