gbc POSITION STATEMENT

Written Testimony to the Ways and Means Committee

HB.1554/SB.1045 – Sales and Use Tax – Taxable Business Services – Alterations

Sponsors:
Delegate Moon

March 12, 2025

Position: Oppose

Dear Members of the Ways and Means Committee,

On behalf of the Greater Baltimore Committee (GBC), we submit this **testimony in opposition to HB.1554,** 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 supporting 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 HB 1554,** 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,

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