

March 10, 2025

Phillip Cheung

19 120th Street
Ocean City, MD 21842

Representative David Moon

**350 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401**

Subject: Concerns Regarding a Potential Sales Tax on Professional Services

Dear Representative Moon,

I am writing to share my concerns about the potential introduction of a sales tax on professional services in Maryland. While I fully support Governor Wes Moore's executive order to strengthen the state's business climate and enhance economic competitiveness, I believe a sales tax on services could unintentionally undermine these objectives.

Administrative Challenges and Complexity

Imposing a sales tax on professional services would add substantial complexity to Maryland's tax system. Businesses, particularly those operating across multiple states, would face significant challenges in determining which portions of their services are taxable in Maryland. This would increase compliance costs and administrative burdens for businesses of all sizes.

In addition, as the economy becomes increasingly virtual and cross-jurisdictional, taxing services rendered online or across state lines would create logistical and enforcement challenges. These factors could lead to disputes, audits, and an overall increase in uncertainty for businesses. The impact on processing compliance by the Comptroller's office would lead increased workload by Comptroller employees that is already experiencing inefficiencies with current labor challenges.

Impact on Small Businesses

Small businesses, which form the foundation of Maryland's economy, would be disproportionately affected. Unlike larger companies with in-house resources, small businesses rely on outsourced services for essential functions such as accounting, marketing, and legal counsel. Taxing these services would raise costs and limit their ability to grow, innovate, and compete effectively.

Moreover, the introduction of a service tax could lead to tax pyramiding, where taxes are applied multiple times throughout the production process, further increasing costs for both businesses and consumers.

Economic Competitiveness

A sales tax on professional services could place Maryland at a disadvantage compared to neighboring states that do not impose such taxes. Higher costs and administrative hurdles could drive businesses to seek alternatives in more tax-friendly jurisdictions, resulting in the loss of economic activity and job opportunities.

Governor Moore's vision to attract and grow businesses in Maryland is one I deeply respect and support. However, I believe a sales tax on professional services would conflict with this vision by increasing costs, reducing competitiveness, and discouraging business investment.

Request for Consideration

I respectfully urge you to consider the potential unintended consequences of a service tax on Maryland's economy. I encourage policymakers to explore alternative revenue solutions that align with the state's goals of fostering innovation, supporting small businesses, and enhancing economic competitiveness.

Sincerely,

A handwritten signature in black ink that reads "Phillip Cheung, CPA". The signature is written in a cursive, flowing style.

Phillip Cheung, CPA