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HB1554

Sales and Use Tax – Taxable Business Services - Alterations

March 10, 2025

House Ways and Means Committee

POSITION: OPPOSE

CBH is the leading voice for community-based providers serving the mental health and addiction needs of vulnerable Marylanders. Our 87 members serve individuals accessing care through Maryland's public behavioral health system. These providers deliver vital outpatient and residential treatment, day programs, case management, Assertive Community Treatment (ACT), employment supports, and crisis intervention services to those in need.

While we understand and support the need to increase state revenue, HB1554 creates uncertainty and could unintentionally harm Maryland's businesses and nonprofits. Many businesses, particularly small ones and nonprofits, rely on third-party vendors for essential services like accounting, payroll, and HR. This bill could complicate those relationships, increasing administrative burdens and costs.

Another concern is the risk of double taxation for organizations with multiple corporate entities. Many companies centralize payroll and administrative services within one entity while contracting internally with affiliated programs. Under this bill, those transactions could be taxed multiple times, making it harder for businesses and nonprofits to operate efficiently.

This bill may unintentionally drive away out-of-state businesses that provide essential services to Maryland companies. The complexity of tax collection and reporting could deter vendors from working with Maryland-based organizations, leaving local businesses with fewer options and higher costs.

The bill does not specify whether tax-exempt organizations engaging in these services would be affected. Many non-profits, including several of CBH's member organizations, operate with multiple affiliated entities that share administrative functions. If these transactions become taxable, it could divert crucial resources away from their core missions and essential community services.

Maryland businesses and nonprofits need a tax system that is predictable and clearly defined. Adding complexity without clear guidelines creates uncertainty, which can slow economic growth and discourage investment. While we support efforts to increase revenue, this bill's unintended consequences could outweigh its benefits.

For these reasons, we respectfully urge the committee to give HB1554 an unfavorable report.

For more information contact Nicole Graner, Director of Government Affairs and Public Policy, at 240-994-8113 or Nicole@MDCBH.org