



Letter of Information

House Bill 1554 – Sales and Use Tax – Taxable Business Services – Alterations

Ways and Means Committee

March 12, 2025

The Office of the Comptroller is respectfully submitting this letter of information regarding House Bill 1554, Sales and Use Tax – Taxable Business Services – Alterations. HB1554 establishes a statewide business-to-business tax of 2.5% on certain services. As the state agency that will be responsible for implementing this tax, we are providing this letter to review what is needed to operationalize HB1554 and explore the proposed timeline.

While implementing a new tax is a complex process, barring unforeseen circumstances the Office of the Comptroller will be able to implement the tax proposed under HB1554 by the bill's effective date of July 1, 2025. Doing so, however, will require the reprioritization of some existing staff and additional resources, including five temporary call center representatives for six months to cover anticipated increased registrations (approximately \$215,000; one-time cost) and three positions within Revenue Operations & Administration (one processor and two auditors; approximately \$230,000, ongoing cost). Further, the existing contract for our tax system will require modification at an estimated cost of \$400,000 (one-time cost).

Implementing HB1554 will require adding a new line to the SUT forms (both Maryland Tax Form 202 and 202F), programming across multiple business services vendors, and updating our regulations and guidance documents. We will also need to update our IT system and our online portal, Maryland Tax Connect, including both development and testing.

Several aspects of this proposal contribute to the agency's ability to implement it by July. First, the proposal is a single rate, rather than a variable rate based on the service type. Second, there are no special schedules. Third, there are no special revenue distributions. Fourth, this is largely a modification and expansion of the existing sales and use tax (SUT), rather than a truly new tax type. These four factors reduce many of the complications associated with bringing on new taxes, and it is important to retain these pieces as the bill is considered if the goal is to bring this program on by July.

If you have any questions, please do not hesitate to contact Matthew Dudzic, Director of State Affairs, at MDudzic@marylandtaxes.gov.

