



**The Maryland State Dental Association and the Maryland Society of Oral & Maxillofacial Surgeons Oppose SB 1045 and HB 1554 - Sales and Use Tax-Taxable Business Services - Alterations**

*Respectfully submitted by Daniel T. Doherty, Jr.*

The Maryland State Dental Association (MSDA) and the Maryland Society of Oral & Maxillofacial Surgeons (MSOMS) are non-profit organizations representing a membership of licensed dentists. The purpose of each of these associations is to promote and encourage the advancement of the practice of dentistry through education, political and social endeavors. They provide their members with a variety of benefits such as: 1) discounted products/services from reliable companies; 2) assisting dental professionals in identifying quality providers of continuing education; 3) serving as a job search and recruitment resource center; and more. These two associations review and alert their members about new or changed federal and state regulatory requirements that affect the practice of dentistry and impact the delivery of care to Maryland dental patients. They work to protect their members from a variety of problems and pitfalls which confront the practicing dentist. These include wading through the quagmire of insurance laws, regulations and provider contracts. They undertake the evaluation of various legal and regulatory requirements, including: patient rights and confidentiality; prescription drug and monitoring mandates; radiation and infectious waste guidelines and requirements, etc. At all times, as associations representing “competitors in the market place”, they must be diligent in following the anti-trust laws as they relate to competition. Vital to effectively providing these services on behalf of their members, the profession as a whole, and the dental patients of Maryland, they must employ the services of various professionals, including accountants, IT services, and legislative counsel.

SB 1045 and HB 1554 provide that “taxable service” includes the services they must obtain from their accountants, lobbyists, office support services, employee placement and recruitment services, and other services. Conservatively, this can constitute a tax liability for many Maryland professional associations of thousands, even tens of thousands of dollars annually. This liability will also extend to the charitable foundations affiliated with these associations. The MSDA’s Maryland Foundation of Dentistry-Donated Dental Services, for example, which has been the conduit for delivering millions of dollars of pro bono dental care to individuals with disabilities who are uninsured, will incur sales tax liability under these bills which will hinder, rather than foster, its Mission. Likewise, the MSDA Foundation, which is the MSDA Charitable and Educational Foundation, will also suffer a substantial negative impact

Membership costs for most professional associations are also an issue. These organizations must have sufficient dues and non-dues income to sustain their offices, staff, costs of professional

services in order to accomplish these goals. The impact of these taxes will require accessing members higher dues, with the potential effect of losing membership.

As noted, the costs of qualified professional services are not an insignificant budgetary item. However, the tax is even more impactful with respect to lobbying representation. Under Federal law, lobbying expenses are, to a large extent, not deductible as a business expense. Taxes on lobbying services are in essence double taxation. To tax these services will potentially limit the ability of these organizations to continue as advocates for dentistry and dental health, and limit their availability to the General Assembly as a resource on issues of dental health and dental care.

In this 21<sup>st</sup> Century, given the discrepancy between the financial resources of major business enterprises versus non-profit professional and charitable organizations, levying a 2.5% sales tax on lobbying services merely creates the unfortunate consequence of further impairing their ability to advocate “toe-to-toe” with big corporate and insurance interests.

**The MSDA and the MSOMS Request that HB 1554 and SB 1045 receive Unfavorable Reports.**

Submitted March 10, 2025  
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