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March 10, 2025

Testimony of Amy Kreiner,
President, Talbot County Chamber of Commerce

House Bill 1554/Senate Bill 1045 – Maryland Sales and Use Tax - Taxable Business Services

Committee Hearing Date: Wednesday, March 12, 2025

Senator Shelly Hettleman
James Senate Office Building, Room 203
11 Bladen Street
Annapolis, Maryland 21401

Delegate David Moon
350 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Honorable Chair and Members of the Committee,

My name is Amy Kreiner, and I am the President of the Talbot County Chamber of Commerce. I am here today to express our strong opposition to **HB 1554/SB 1045**, which proposes the expansion of Maryland's Sales and Use Tax to include taxable business services.

The Talbot County Chamber of Commerce represents over [640 businesses in our community, ranging from small, family-owned operations to larger employers. The businesses we serve are vital to the local economy, providing jobs, services, and resources that contribute to the well-being of our residents. However, the proposed legislation would impose an additional financial burden on these businesses, particularly small businesses, that could have serious negative consequences for their growth, sustainability, and overall economic impact.

Impact on Small Businesses

Small businesses in our area are already struggling to recover from the effects of the pandemic and ongoing inflationary pressures. The expansion of the sales tax to include business services such as marketing, accounting, legal counsel, and IT support would place a heavy strain on businesses with narrow profit margins. These services are essential to the operation and success of businesses across all industries. The added cost of these services would be a significant burden, especially for smaller businesses that are already operating with limited resources.

The complexity of complying with new tax rules would also place a significant administrative burden on business owners who are already juggling multiple responsibilities. Tracking and reporting taxable services would require additional time, effort, and resources, detracting from core business operations and diverting attention from growth strategies and customer service.

Competitive Disadvantage for Maryland

One of the most concerning aspects of this bill is the potential to place Maryland businesses at a competitive disadvantage compared to those in neighboring states. In Delaware, for example, there is no sales tax, which already makes it an attractive option for businesses in close proximity to Maryland, particularly on the Eastern Shore. The expansion of Maryland's tax base to include business services could drive businesses across state lines in search of more favorable tax environments, further undermining Maryland's competitiveness in the region.

Moreover, this could harm our ability to attract new businesses to Maryland, which we should be focusing on instead of creating obstacles to their success. As businesses look to establish or expand their operations, tax policies will play a crucial role in their decision-making. Adding taxes to essential business services could make Maryland less attractive as a place to do business, putting our local economy at risk.

Economic Slowdown

Expanding the sales tax to include business services also has the potential to harm employment in Maryland. Many businesses rely on professional services to maintain their operations, from marketing agencies to legal and financial consultants. The added costs could lead some businesses to reduce their spending on these services, which would, in turn, reduce demand for service providers and potentially result in job losses in sectors already struggling to recover from the pandemic's effects.

Additionally, as businesses face higher operating costs, they may delay or cancel plans to hire new employees or expand their operations, further slowing economic recovery and growth.

Alternative Solutions

Rather than imposing new taxes that place undue pressure on our local businesses, we urge the Committee to explore other ways to strengthen Maryland's fiscal situation. There are numerous opportunities to improve tax efficiency without harming the business community, such as closing loopholes, reducing wasteful spending, or exploring other revenue sources that do not disproportionately impact small businesses.

The Talbot County Chamber of Commerce strongly believes that we must focus on creating a tax environment that encourages business growth and job creation, rather than one that stifles innovation and burdens small businesses with additional costs.

In conclusion, the Talbot County Chamber of Commerce urges the Committee to **oppose HB 1554/SB 1045** and reject the proposal to expand the Maryland Sales and Use Tax to include business services. The negative economic impact of this measure on Maryland's businesses—particularly small businesses—would be significant, and we believe there are better ways to address the state's fiscal needs without compromising the growth and vitality of our business community.

Thank you for your time and consideration. I am happy to answer any questions you may have.

Sincerely,



Amy Kreiner

President

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