

Subject: Oppose HB 1554 / SB 1045: Harmful tax on small businesses

Dear Members of the Committee,

As a local business and a CPA, I am writing to express my strong opposition to HB 1554 and SB 1045. These bills would impose a tax on professional services, which would directly harm Maryland's small businesses and economy.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would negatively impact Maryland businesses:

- **Increase costs for small businesses** already struggling with inflation and economic uncertainty.
- **Drive business out of Maryland** as companies seek services in states without this tax.
- **Create a logistical nightmare:** Where does the tax apply when a CPA serves a multi-state business? How do remote work and cross-border services factor in? How much time and money will businesses waste on tracking and compliance?
- **Tax on Tax:** Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

I urge you to oppose HB 1554 and SB 1045 to protect Maryland's businesses, jobs, and economy. Instead, please advocate for policies that support a thriving business environment in our state.

Thank you for your time and consideration.

Sincerely,

Monica A. Kempson, CPA
Tax Partner
Askey, Askey & Associates, CPA, LLC