



Written Testimony in Opposition to HB 1554/SB 1045: Proposed 2.5% Business Services Tax

I am Keith Whisenant representing Palmer Gosnell Hospitality and I am writing today to express strong opposition to House Bill 1554 and Senate Bill 1045, which propose a 2.5% sales tax on business-to-business services. This legislation, if enacted, would significantly increase operational costs for Maryland businesses, undermine their competitiveness, and ultimately harm the state's economic growth.

Impact on Small Businesses and Professional Services

Small businesses, which are the backbone of our economy, operate on thin margins and rely heavily on outsourced services such as accounting, payroll, and IT support. The proposed tax would force these businesses to either absorb the additional costs or pass them on to consumers, leading to higher prices and reduced competitiveness. This is particularly concerning for professional services firms, as it would make Maryland less attractive compared to neighboring states like Virginia and Delaware, where such services are not taxed.

Competitive Disadvantage and Economic Consequences

Maryland already ranks poorly in terms of business tax climate, and this tax would exacerbate the situation. By taxing essential services like landscaping, consulting, and financial planning, Maryland would become an outlier among its neighbors, creating a strong incentive for businesses to relocate. This would result in job losses, reduced economic activity, and ultimately, lower tax revenues in the long term. Every dollar spent on this tax is a dollar not invested in workforce growth, innovation, or expansion.

Potential for Future Expansion

Once this tax structure is established, it sets a precedent for expanding the tax to other business services, including healthcare, legal services, and more. This would further burden businesses and consumers, leading to a broader economic downturn.

In conclusion, I urge lawmakers to reconsider this proposal. Instead of imposing a new tax that would drive businesses away, Maryland should focus on sustainable budget solutions that foster economic growth and competitiveness. We need policies that encourage investment, job creation, and innovation, not ones that make it more expensive to do business in our state.

Thank you for considering my testimony.

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