

**HB 1554**

Date: March 10, 2025

Committee: Senate Budget and Taxation Committee

**Position: Opposed**

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Dear Chair Guzzone and Committee Members,

I'm writing to you today as a concerned local business owner to strongly oppose Senate Bill 1045, which would create a new 2.5% tax on essential business-to-business services that my company relies on daily.

While I recognize Maryland's budget challenges, this new tax on accounting, IT, consulting and other critical services is a shortsighted solution that will further damage our state's business climate and competitive position. Here's why I believe this legislation would be harmful:

**Direct Impact on Our Bookkeeping Firm:** As a bookkeeping firm serving dozens of Maryland businesses, this legislation would force us to either absorb the 2.5% tax and significantly reduce our already tight profit margins, or pass this cost along to our clients. If we absorb the cost, we may need to reduce staff or cut back on technology investments that help us serve clients efficiently. If we pass the cost to clients, we risk losing business to competitors across state lines or seeing clients reduce their service packages with us.

Additionally, as a service provider, we'll face administrative burdens implementing new tax collection procedures, upgrading our billing systems, and ensuring compliance with new regulations. These are costs that take time and resources away from serving our clients.

**Devastating Impact on Our Clients:** The tax structure creates a "pyramiding" effect where services get taxed multiple times throughout the supply chain, ultimately leading to higher prices for Maryland consumers.

Many of our clients are small businesses operating with minimal profit margins who depend on our bookkeeping services to maintain financial compliance and make sound business decisions. This tax would directly increase their overhead costs.

For example, a small retail client currently paying \$12,000 annually for our comprehensive bookkeeping services would face an additional \$300 tax burden and increased fees from us as we support them with collecting and emitting this sales tax. When combined with similar new taxes on their IT support, marketing services, and consulting needs, a single small business could easily face thousands in new annual tax expenses.

This tax puts Maryland businesses at a severe disadvantage. Our neighbors in Virginia and Delaware don't impose similar taxes on business services. For clients near state borders, this creates a powerful incentive to work with out-of-state service providers like bookkeeping firms in neighboring states. I believe the best way to address Maryland's fiscal challenges is through policies that encourage business growth, not new taxes that stifle it. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I strongly urge you and your colleagues to reject SB 1045 and instead support policies that help Maryland businesses succeed.

Sincerely,

Kristen Faith  
Owner  
Faith Resolutions Bookkeeping