

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:

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.

This tax puts Maryland businesses at a severe disadvantage. Our neighbors in Virginia and Delaware don't impose similar taxes on business services. For businesses like mine near state borders, this creates a powerful incentive to work with out-of-state service providers, while Maryland service companies will be tempted to relocate across state lines.

Unlike traditional sales taxes on final products, this B2B tax creates a "tax on tax" scenario where services taxed throughout production result in significantly higher costs than the 2.5% rate suggests.

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,
Linda Borgmann
Borgmann Homes Realty