



March 10, 2025

The Honorable Delegate Vanessa Atterbeary
Chair, House Ways and Means Committee
130 Taylor House Office Building
Annapolis, MD 21401

RE: Letter of Opposition
HB 1554 Sales and Use Tax – Taxable Business Services – Alterations

Dear Chairwoman, Atterbeary and Members of the Committee,

As a board member representing over 2,000 architects, on behalf of AIA Maryland, I write to express strong opposition to House Bill 1554, which proposes expanding Maryland's sales and use tax to essential business-to-business (B2B) services. This legislation would impose a 2.5% tax on critical professional services that architects, engineers, and designers rely on daily—including consulting, accounting, IT, graphics, marketing, human resources, and other essential operations. While we recognize the need for fiscal responsibility, implementing a B2B service tax would have harmful, long-term consequences for Maryland's built environment, small businesses, and economic competitiveness. This bill is not just about added costs—it threatens the very foundation of how our firms operate and contribute to Maryland's communities.

Why This Legislation Harms Maryland's Architecture & Design Industry

Added Financial Strain on Architectural Firms

Architecture firms—many of which are small businesses—rely on specialized professional services to support their projects and operations. This new tax would significantly increase operational costs, forcing difficult decisions about staying competitive in a very tight market. Our work is heavily reliant on technology and requires consulting to help implement software, maintain and interface between different programs and educate ourselves on how to use it most efficiently. Additionally, we often rely on HR services to help identify and hire qualified candidates. Some of us have services such as graphic design and photography in-house and some need to contract for those services. On most projects, architects lead a team of experienced professionals and need to tap into services identified in the legislation and some that are not. As you can imagine, this will be extremely challenging to add another step in preparing fees for projects and assessing which cannot be attributed to projects, but are needed for an efficiently functioning office.

Tax Pyramiding: A Dangerous Precedent

Taxing services used in architectural design and construction creates a cascading tax effect, where services are taxed multiple times at different stages. This drives up project costs and directly impacts clients, from homeowners to developers and municipalities working on vital infrastructure projects. As noted above, some of our consultants may need to contract to others for their work product, which would simply build up total project costs for the owner.

Competitive Disadvantage for Maryland Firms

Maryland would become one of the few states in the region to impose such a tax. For located near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states. We have many state agencies already that do not give Maryland businesses a competitive advantage in project procurement. Many large projects for University Systems are awarded to out of state firms, K-12 education projects are increasingly awarded to out of state firms and much of the P-3 procurement work has gone to out of state or out of country businesses. This service tax imposes another challenge to operating profitably in Maryland.

Barrier to Economic Growth & Development

The built environment is a major contributor to Maryland's economy. By increasing costs for design and construction services, this bill would discourage investment in new projects, slow economic development, and reduce the ability of firms

to take on new work—especially in sectors that drive public benefit, such as affordable housing, infrastructure, and sustainability initiatives. Development is already challenged by higher interest rates that we had grown accustomed to, skilled labor shortages and unknown material costs with the potential for tariffs on key construction elements like lumber. An added service tax is likely to slow the market further.

Administrative & Compliance Burdens

Beyond financial strain, this tax would create complex new compliance requirements, forcing architectural firms to track, collect, and remit taxes on a broad range of professional services. Many small firms do not have in-house financial teams to handle this burden, leading to additional outsourcing costs and time-consuming administrative work.

A Slippery Slope for Future Tax Expansion

Once Maryland establishes a B2B service tax, there is no guarantee it will remain at 2.5% or limited to the currently targeted services. Future budget shortfalls could lead to higher rates and additional taxed services, including critical areas like real estate, engineering, and construction administration—further compounding the financial burden on our industry.

The Solution: Strengthening Maryland's Economy, Not Taxing It

Rather than imposing new taxes that stifle economic growth, Maryland should focus on policies that support business development and attract investment. The architecture and design community plays a key role in shaping Maryland's future—we need policies that foster innovation, sustainability, and job creation, not ones that penalize the very services that drive economic progress.

We urge you and the General Assembly to carefully consider the damaging effects of HB 1554 and reject this bill in favor of pro-growth policies that support Maryland's businesses, built environment, and economy.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Parts", with a long horizontal stroke extending to the right.

Chris Parts, AIA

Director, Past President, AIA Maryland