

House Bill 1554 – Testimony in Opposition

Date: [March 10, 2025]

Committee: House Ways and Means Committee

Position: Opposed

Dear Chairwoman Atterbeary and Members of the Committee,

My name is Darren Clark, a proud Democrat and the founder of Clark Computer Services and Clark Building Technologies, two Maryland-based businesses that have been serving this state for over two decades. I built these companies from the ground up, providing IT support, low-voltage cabling, and technology solutions that Maryland businesses, local governments, and organizations rely on to keep their operations running smoothly.

I strongly oppose House Bill 1554, which seeks to impose a 2.5% sales tax on essential business-to-business (B2B) services such as IT support, consulting, and accounting. This is a bad idea at a bad economic time. Maryland is already in a tough financial spot, and instead of raising taxes on struggling businesses, we should be cutting costs and focusing on fiscal responsibility.

### **Maryland's Economy is in Trouble – This Tax Will Make It Worse**

Maryland is already one of the least business-friendly states in the country, and our economy is lagging behind national growth. Over the last decade, Maryland's GDP grew by only 11%, while the national average was 23%—meaning we are already falling behind in economic competitiveness. Instead of attracting businesses, this tax will drive them away to Virginia, Delaware, and Pennsylvania, where they won't face these additional costs.

At a time when businesses are already struggling with inflation, rising costs, and economic uncertainty, the last thing we should do is make it even more expensive to operate in Maryland. Businesses forced to absorb new taxes will have two choices: raise prices on customers or cut costs by eliminating jobs and investment. Either way, the Maryland economy loses.

### **A Direct Hit to Small Businesses Like Mine**

I can tell you firsthand—small businesses do not have cushions of profit to absorb new taxes. We rely on outsourced services like accounting, payroll, and IT support to function. Unlike major corporations with in-house departments, we have to pay for these services, and taxing them means our operating costs go up, reducing our ability to invest in our businesses and employees.

This bill penalizes small businesses while big corporations will continue to find ways to avoid the impact. Instead of focusing on new taxes, we should be finding ways to reduce

unnecessary spending and operate the state more efficiently—just like businesses are forced to do.

### **A Competitive Disadvantage That Will Drive Business Elsewhere**

Maryland businesses are already struggling to compete with Virginia and Delaware, where the cost of doing business is lower. Unlike those states, this bill would make Maryland an outlier, putting us at an economic disadvantage. Businesses near the border will have every incentive to outsource services to neighboring states or relocate their operations entirely—taking jobs, tax revenue, and growth with them.

If the goal is to increase Maryland's tax base, the focus should be on keeping and attracting businesses—not giving them more reasons to leave.

### **This Bill is a Short-Term Fix That Will Cause Long-Term Damage**

While supporters may argue that this tax is needed for revenue, history has shown that taxing businesses into submission is not a winning strategy. The tax starts at 2.5% today, but once this structure is in place, it will likely grow over time. What starts as a tax on accounting, IT, and consulting could easily expand to legal services, real estate, and even healthcare in future years.

Maryland's budget problems are real, but raising taxes on job creators is the wrong solution. Instead, we need to focus on cutting wasteful government spending and improving efficiency—the same approach any responsible business owner would take when facing financial challenges.

### **Conclusion: Reject House Bill 1554**

As a Democrat, I understand the need for smart fiscal policy, but this is not the way forward. Maryland businesses are already paying enough, and instead of burdening them further, we should be finding ways to reduce unnecessary government spending, encourage economic growth, and make Maryland a more attractive place to do business.

For these reasons, I strongly urge you to reject House Bill 1554. Let's work on real solutions that strengthen our economy rather than weaken it.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Darren Clark', with a stylized, cursive script.

Darren Clark

Founder & CEO, Clark Computer Services & Clark Building Technologies

