

Dear Members of the Maryland House Ways and Means Committee,

On behalf of PrideStaff, Inc., a national staffing firm with a presence in Maryland, I am writing to express our strong opposition to HB 1554 and SB 1045, which propose imposing a sales tax on staffing services. This legislation would have a detrimental impact on Maryland's economy, its businesses, and your constituents. A sales tax on staffing services is a tax on jobs and will harm Maryland's workers and the state's economy. Staffing firms play a vital role in connecting employers with qualified candidates, employing more than 2.5 million temporary and contract workers in the U.S. weekly, nearly 13 million annually, across diverse job categories. In 2023, staffing firms employed nearly 215,000 people in Maryland.

PrideStaff's temporary-to-hire rate has hovered around 55% the past several years; this means that 55% of those job opportunities result in a permanent job for our employees with our clients after the conversion period. PrideStaff is also proud to be a Fair Chance employer creating opportunities for Maryland residents who might otherwise struggle to find employment, directly impacting the livelihoods of your constituents and your state's economy.

A comprehensive study commissioned by the American Staffing Association (ASA) demonstrates that sales taxes have a significant, negative impact on temporary employment. Taxing staffing services raises the cost of labor, reducing the demand for temporary services, including opportunities for Maryland residents to access full-time, permanent employment as mentioned previously. This, in turn, will reduce total employment and economic activity within the state. The resulting job losses not only diminish expected tax revenue but also likely reduce income tax and other tax collections throughout Maryland. Furthermore, the state can anticipate a probable increase in unemployment insurance payments and other social welfare costs, placing additional burdens on businesses and your constituents.

A sales tax on staffing services also disproportionately hurts small businesses in Maryland. These businesses often rely on staffing firms for crucial services like accounting, manufacturing, and logistical support. Unlike larger corporations, small businesses cannot easily absorb the increased costs by hiring in-house staff. This tax places them at a competitive disadvantage, hindering their growth and ability to serve their local communities. It is important to note that PrideStaff is a franchise-based business, and our local operators in Maryland are effectively small business owners who are deeply invested in serving their local communities, providing vital job opportunities for local residents and your constituents.

Finally, a sales tax on staffing services results in harmful double taxation. When customers of staffing firms absorb sales taxes, it creates an unfair double taxation scenario where the final product or service is also likely subject to sales taxation. This "pyramiding" effect is detrimental to consumers, who are effectively taxed multiple times on the same product or service. This adds an unnecessary financial burden to consumers and businesses alike.



We urge you to consider the adverse effects of HB 1554 and SB 1045 on Maryland's economy and its constituents. We respectfully request that you oppose these bills and protect the vital role that staffing services play in our state.

Respectfully,

Elliot Meme

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PrideStaff, Inc.