



March 10, 2025

LEGISLATIVE POSITION:

Oppose

House Bill 1554

Sales and Use Tax - Taxable Business Services - Alterations
House Ways and Means Committee

Dear Chair Atterbeary,

House Bill 1554 as proposed would modify Maryland's tax code to impose a 2.5% sales tax on business to business (B2B) services. While we share significant concern about Maryland's budgetary position and are aligned on the necessity for creative solutions to generate revenue for the State, imposing a tax on services would create a material disincentive to doing business in Maryland that would exacerbate our current budgetary situation.

As a local business with several locations in Maryland, I am writing to express concerns regarding House Bill 1554. The implementation of a B2B sales tax would incentivize businesses to procure services in states that do not impose a service tax. Additionally, this proposal would incentivize commercial service providers in the State to relocate to Virginia, where they could hypothetically retain their client base without being subject to the tax. The best way to fix our state's budget circumstances is to invest in policies that make our businesses more competitive and promote economic growth.

A Tax On Services Puts Maryland Businesses at a Competitive Disadvantage Relative to Other States

States with service taxes are at a disadvantage when it comes to competing with states that don't tax services. HB 1554 would discourage the use of Maryland services, as well as discourage companies seeking to expand or relocate here. Note that none of our competitor states in the region broadly tax services. In fact, as of 2024, only Hawaii, New Mexico and South Dakota do. Furthermore, the administrative obligation associated with compliance would be a considerable burden to small and minority-owned businesses in the State. My HDCG businesses fall into both of these categories.


B2B Service Tax Exacerbates Maryland's Financial Hardship

While on the surface the revenue estimates from this proposal may seem enticing, using this figure alone to make a determination on the appropriateness of the policy to fix Maryland's budget is misleading and lacking in context. A significant factor contributing to the financial position we are in today is a lack of economic competitiveness with our neighboring states. To promote healthy, long term growth, we need to ensure businesses can afford to open and stay in Maryland. A revenue bump at the expense of losing services providers to relocation, and directing businesses here to procure services from non-Maryland providers is a short-sighted endeavor that would frustrate growth and weaken our economy for years to come.

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HDCG is currently investing millions of dollars to renovate Maryland hotel facilities and maintain long-term competitiveness. While the objectives of HB 1554 are to address Maryland's fiscal challenges, the bill's potential negative impacts would defeat the purpose of ensuring the state's long-term economic health and that of my company. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Sincerely,



Bruce E. Thompson
HDCG President