

my, 2021@mdcapa.org, Clavante, MD

Subject: HB1554 and SB1045 Testimony Opposed

To: All members of the Senate and House Committee

Please include my comments into the record for the two proposed bills HB1554 and SB1045.

Before you pass these bills, you may want to hold off to see the affects on the State of Maryland by the Federal government by the President and Elon Musk executive orders that affect the State funding by the Federal government

Here are some examples for you to research to obtain answers to.

1. Defer the implementation of the Kirwin commission funding for the next year or two or three or four years and wait for the President term to expire.

signing.

4. During the implementation of the K-12 curriculum (leading to the completion of two degrees or four years and with the graduation from the first and second degrees for both is necessary to obtain answers to

black exchange orders that show the state provided by the Federal Government

orders for two years after the first year to hold off to see the impact of the State of Kentucky on the Federal Government by the first year and then please include my comments into the report for the two degrees plus HHS/ECU and 2010/10/10.

For information of the Governor and House Committee

subject HHS/ECU and 2010/10/10 Kentucky, Ohio

10/10/10

2. Wait and see for this year what the affects are to the State of Maryland funding from the Federal government due to the Presidents executive orders for tariffs, for RIF of the federal government employees and to the government contractors, and possible a recession and the elimination of the Education department and other departments.
 3. For transparency, the State of Maryland has three new increases in revenue sources.
 - A. Where did the increase in revenue from the new casinos go? How much additional tax revenue was collected from this new source of revenue?
 - B. Where did the increase in revenue from the sale of Marijuana go? How much additional tax revenue was collected from this new source of revenue?
 - C. Where did the increase in revenue from the new online sports betting go? How much additional tax revenue was collected from this new source of revenue?
 - D. From the TCJA, which the State of Maryland did not allow Maryland taxpayers to switch from the standard deduction to their itemized deduction on their Maryland tax return, of which, the affect was that Maryland taxpayers reported a higher MD taxable income and therefore paid to the State higher tax revenues. Where did this money go? How much was the difference collected in tax between Maryland taxpayers standard deduction versus the itemized deduction?
- The State maybe would have a surplus over the next 4 years...
4. The State needs a "reserve" to take over the funding duties that the federal government was providing to MD. Maybe postponing funding the Kirwin commission over the next couple of years, for example, if the Education department is eliminated and the State will have to take over funding community colleges and universities for example, maybe providing FAFA loans this maybe called SAFSA?
 5. How will the State keep funding community colleges in Maryland?
 6. Will more money be needed from the State to pay out unemployment benefits to the federal government employees and governmental contractors?

Well, good luck with your decision.

For your information, I am not just one person with one vote.

I have a large constituent voter base versus other people who submit comments to your committee's.

Member of the Maryland Association of CPA

Member of the Maryland Society of Accounting and Tax professionals

District 17 Rockville and Gaithersburg member

Resident of the City of Rockville

Last COR election I received over 4000 votes where there are 60000 registered voters

Last MOCO election for Council At-Large over 1,000,000 registered voters

Senate Bill 1045/House Bill1554

Date: March 11, 2025

Committee: House Ways and Means Committee
Committee: Senate Budget and Taxation Committee
Position: Opposed

Dear Chair Guzzone and Members of the Committee,

As a local business organization, I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For our members 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.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Concerning Tax Effect

the legal structure, and certain aspects of jurisdiction.

Once established, the tax structure could easily extend to additional services relationships or business in other jurisdictions without affecting the structure.

Corporate Structure for Future Taxation

For many small businesses, the major question regarding structure and tax status is whether to incorporate in the United States or in another country.

When the United States is the jurisdiction, the corporation would create significant administrative problems for businesses that must track, collect, and remit the tax.

Administrative Burden and Compliance Costs

With respect to the United States, there are considerable administrative costs associated with the incorporation process, and the costs of compliance with the tax laws.

For the United States, the major question is whether to incorporate in the United States or in another country. The major question is whether to incorporate in the United States or in another country.

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The Importance of the United States in the International Market

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Internationalization of Small Businesses

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Other Global Structure and Membership of the Corporation

Corporate Governance

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Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the General Assembly to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

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