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The Honorable Vanessa Atterbeary
Maryland House of Delegates
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Subject: Strong Opposition to House Bill 1554 – Harmful Taxation on Business Services

Dear Delegate Atterbeary,

I am writing to express my **strong opposition to House Bill 1554**, which proposes a **2.5% sales and use tax on business-to-business (B2B) services**, including **IT services, accounting, payroll, consulting, and other critical professional functions**.

As a business owner with offices in **Savage (Howard County) and Bel Air (Harford County)**, this bill would have a **significant negative impact** on my company, my clients, and the broader Maryland business community.



HB 1554 Will Increase Costs for Maryland Businesses

This bill will **directly increase operational costs** for businesses that rely on outsourced services such as **IT management, cybersecurity, and financial consulting**—services that are not optional but essential for business continuity, security, and compliance.

As a **Maryland-based business**, we serve clients across various industries who **depend on our services to remain competitive and secure**. By imposing a **new tax burden**, HB 1554 will:

- ✓ **Increase costs for businesses that depend on IT and accounting services**
- ✓ **Push businesses to seek out-of-state service providers** in tax-free states like Delaware and Virginia
- ✓ **Slow down investment in cybersecurity and technology**, increasing security risks
- ✓ **Create compliance headaches** for Maryland-based service firms

Maryland Businesses Will Be at a Competitive Disadvantage

Neighboring states **do not impose a tax on IT, cybersecurity, or financial services**. HB 1554 will put Maryland at a **competitive disadvantage**, forcing businesses to relocate operations, reduce hiring, or pass these costs onto consumers.

For example:

- **A Maryland business paying for IT and cybersecurity services will now pay a 2.5% tax, while a competitor in Virginia or Delaware does not.**
- **A Maryland-based accounting firm may lose clients to out-of-state firms that do not have to charge this tax.**
- **Businesses already struggling with inflation and rising costs will be further burdened, discouraging growth.**

Instead of fostering a **business-friendly climate**, HB 1554 will push Maryland businesses to **seek alternatives outside the state**, reducing local investment, job creation, and economic growth.

Tax Pyramiding Will Increase Costs for Everyone

Taxing B2B services **creates a domino effect** where businesses **pay taxes at multiple stages**, inflating costs across the board. For example:

- An **IT firm** provides **cybersecurity services** to a law firm → **Taxed at 2.5%**
- The **law firm** provides legal services to a Maryland business → **Taxed again**
- The business **raises prices for consumers** to cover these costs

This **compounding effect** makes **everything more expensive**, harming Maryland's business environment.



HB 1554 Sets a Dangerous Precedent for Future Taxation

If Maryland enacts **this first-ever tax on IT, accounting, and consulting services**, what's to stop future legislation from extending it to **other professional services**? Historically, **states that introduce narrow service taxes often expand them over time**.

This bill could open the door to future taxation on:

- **Legal services** (business contracts, litigation, compliance)
- **Medical services** (corporate healthcare plans, private practices)
- **Engineering and architectural services** (construction and infrastructure planning)
- **Recruiting and staffing agencies** (outsourced hiring solutions)

Once Maryland begins taxing **essential services**, there is little to prevent **future increases in tax rates or new categories of taxed services**. Businesses **need stability and predictability**, not uncertainty over future taxation.

The Impact on Jobs & Maryland's Economy

The added tax burden could **force service providers to cut jobs, reduce hiring, or relocate operations**. Instead of creating incentives for businesses to **invest and expand**, this bill **discourages job creation and economic growth**.

We should be working to **retain and attract businesses, not drive them away with unnecessary taxation**.

A Smarter Approach is Needed

Rather than imposing new taxes on **business-critical services**, I urge lawmakers to **consider alternative revenue solutions that do not place Maryland at a competitive disadvantage**. The best way to **grow Maryland's economy** is to **encourage business investment, not penalize it**.

Call to Action: Meet with Business Leaders Before Moving Forward

I strongly urge you to **oppose House Bill 1554** and encourage legislative leaders to engage with **Maryland's business community** before considering a policy that could **negatively impact thousands of companies and jobs**.

I appreciate your time and consideration and would welcome the opportunity to discuss this matter further.

Sincerely,

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