



March 11, 2025

Via electronic mail

The Honorable Venessa Atterbeary
Chair
House Ways & Means Committee
Maryland House of Delegates
6 Bladen Street
Annapolis, Maryland 21401

Re: House Bill 1554 (Delegate Moon)

Dear Chair Atterbeary, Vice Chair Wilkins, and Members of the House Ways & Means Committee:

The Maryland Self Storage Association (MD-SSA) strongly opposes House Bill 1554, which will be considered by the Maryland House Ways & Means Committee on March 12, 2025. The bill seeks to expand the Maryland sales and use tax to include a broad range of business-to-business services, including many that are utilized by self storage operators. The MD-SSA respectfully requests that you vote “no” on HB 1554.

The Bill Will Negatively Impact Self Storage Operators

While this bill would not tax self storage operations directly, it would tax a range of services that virtually all self storage operators in the state utilize. House Bill 1554 proposes a 2.5% sales and use tax on an extensive list of business-to-business services, including: accounting, consulting, IT services, marketing, landscaping, and repair services, among others. These services are the backbone of Maryland’s economy, creating jobs and driving innovation. Imposing a new tax on these essential services will increase operational costs, reduce competitiveness, and ultimately harm the very taxpayers this bill claims to serve. Further still, this legislation will particularly harm those businesses who accept credit cards for those services. This is because credit card companies charge fees for the total cost of the transaction, not just the underlying service. As such, this will increase costs for businesses and force them to absorb it or pass along to consumers.

Additionally, self storage operators may need to scale back those services to avoid the additional tax imposition or bring the services in-house to avoid the tax burden. Small, single facility operators stand to suffer the most. Many operate on very thin margins and rely on affordable access to external third-party

services like bookkeeping, payroll, and IT support to stay afloat. Adding this tax may force these businesses to either absorb the cost, cutting into already limited profits, or pass it on to customers, risking price increases that could drive business elsewhere, including out of state, to nearby Pennsylvania, West Virginia, and Virginia where no such tax exists. This is particularly concerning given the on-going population and business shift from Maryland to those nearby states and the accompanying loss of tax base.

A Business-To-Business Tax Will Invite Gamesmanship

The MD-SSA is unaware of any other tax in Maryland, or nationally for that matter, that solely seeks to tax a transaction if both parties to it are businesses. How does the state intend to enforce that? How does the state intend to address situations where one side of a transaction may simply assert that they are providing or receiving the universe of services purported to be taxed by HB 1554 in their individual consumer capacity as opposed to their business capacity? This simple workaround, while undoubtedly inconsistent with the intent of the legislation, would seem to be reasonably likely to occur and would fundamentally undermine the intent of the bill.

The NAICS Approach Confuses the Issue

Moreover, the broad scope of the bill, referencing the North American Industrial Classification System (NAICS) to define taxable services, introduces unnecessary complexity and ambiguity. Business owners may struggle to determine whether their services fall under taxable categories, leading to compliance burdens, potential audits, and legal disputes. This administrative headache will disproportionately affect smaller firms without the resources to hire tax specialists, further widening the gap between large corporations and local entrepreneurs.

Businesses Are Already Suffering with an Inflationary Environment

The timing of this bill is also concerning. Having it introduced and considered so late in the session is problematic. Any legislative effort to significantly expand the universe of taxable services should have been carefully considered and vetted with impacted stakeholders during the off-session and then introduced much earlier in the session to ensure sufficient time to be considered and approved.

Further still, businesses, including storage operators, are still navigating inflationary pressures, supply chain challenges, and workforce shortages. Adding a new tax layer now could hinder recovery efforts and discourage investment in Maryland. Rather than taxing the services that keep our economy running, the state should focus on fostering growth through incentives, infrastructure improvements, or other revenue sources that do not penalize productivity. This is particularly concerning given the tariffs that are envisioned for a broad range of goods and the significant reduction in federal contracts that have already occurred during this current federal administration. Undoubtedly many Maryland service providers have lost business because of the recent federal cutbacks. Adding this new tax to those businesses will lead to decreased business and revenue, exacerbating an already significant loss. The state should be fostering a pro-business environment not kicking businesses when they are already down.

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The Legislation Lacks a Sufficient Economic Nexus

The United States Supreme Court in *South Dakota v. Wayfair* 138 S. Ct. 2080 (2018) eliminated the physical presence requirement for collection of sales tax. However, it does require a minimum economic nexus. No such nexus is referenced in HB 1554. Does the state intend to bind and require a Wyoming-based business who may, for example, only provide \$500 worth of marketing services to one Maryland-based business per year? This must be clarified.

Conclusion

The MD-SSA appreciates this opportunity to comment. For the reasons articulated above, the Association respectfully requests that you vote “**no**” on HB 1554. Thank you for your consideration.

Respectfully submitted,

Daniel Bryant

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Maryland Self Storage Association