

To: Ways and Means
From: Jonathan E. Rivlin, CPA
Re: HB 1515
Position: OPPOSE
Sales and Use Tax – Rate Reduction and Services

Thank you for the opportunity to provide testimony on House Bill 1515. My name is Jonathan Rivlin and I am a certified public accountant in Maryland. I write today to express my strong opposition to this proposed legislation, which would expand the sales tax base to include a wide range of services while marginally reducing the overall sales tax rate.

As an accountant, I work closely with many small businesses and individuals across our state. This bill would have severe negative impacts on my clients. By imposing the sales tax on accounting, bookkeeping, payroll, and tax preparation services, HB1515 will significantly increase costs for businesses that rely on these essential professional services. Small businesses operating on thin margins need help affording this added expense burden.

I would like to note that the phrase, ‘small business’ can be a bit of a loaded term. My definition of ‘small business’ is that the owner is entirely at risk of any economic loss, that they work shoulder to shoulder with their employees, and in the event of a cash crunch such persons would reduce their own payroll before laying off their staff. It is in my more than quarter century of professional experience that such small businesses, as I define them, and such individuals, often form the core of their respective communities. It is these types of taxpayers that are often neglected from the discussion of tax law, and are most harmed by these bills.

Going further, as I expect you will be receiving testimony from other service providers attempting to avoid having this expansion of tax put on them, I tender this argument for your consideration:

A resident of our great State of Maryland has a legal obligation to report, calculate, and remit their taxes to the Comptroller’s Office. No matter how many efforts to simplify the tax code are passed (at all levels of government), the code gets more and more burdensome. Because of this, taxpayers, both individuals and small businesses, reach out to professionals to help them comply with the law.

It has been my experience that the average citizen wants to comply with the law and will take steps to ensure that they are in compliance.

The act of expanding the sale tax rules to include tax preparation and related legal services is tantamount to a penalty on taxpayers who are attempting to comply with the law. This is unethical.

Put simply, a person or business should **not** have to pay a tax in order to figure out what and how to pay their tax.

I certainly appreciate the State's need to fund its services, and as the nature of the economy evolves over time, legislators do need to consider updating the tax law accordingly. However, an eye towards fairness should always be the guiding star on matters of how the tax burden is administered.

To rebut the argument that a taxpayer can elect not to pay a professional for tax services and thereby the proposed sales tax on such services is discretionary, I offer these two counters:

- 1) It is wrong for the State (or any level of government) to prejudice a taxpayer who seeks professional counsel, especially on a legal obligation.
- 2) In today's modern economy, taxpayers (businesses and individuals) cannot always control whether or not they will have a complicated tax situation. In other words, there's not as much discretion as might appear on the surface. Sometimes, a tax situation can be complex and still involve low income individuals and small businesses.

It is wrong to force taxpayers to pay sales tax on top of their income tax, and in the case of businesses that seek out professional services to calculate their sales tax – it is wrong to force them to pay sales tax on top of their sales tax.

Rather than pursuing this inherently unfair tax policy, I urge the committee to explore other options to generate revenue. I respectfully request an unfavorable report on House Bill 1515.

Thank you for considering my testimony.

Jonathan Rivlin, CPA

3/7/2024