

To: Ways and Means

From: Michael McIlhargey, 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 Michael McIlhargey, 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 across our state. This bill would have severe negative impacts on my firm and 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.

Beyond accounting, this bill extends the sales tax to numerous other crucial business inputs—things like legal services, advertising, maintenance and repairs, and administrative support. Increasing the cost of doing business through this tax will constrain growth, depress hiring, and put Maryland companies at a competitive disadvantage compared to businesses in other states. Some may even be forced to close their doors.

While lowering the sales tax rate provides some offsetting relief in theory, this bill is a major net tax increase that will siphon over a billion dollars out of the private sector economy. This will reduce Marylanders' disposable income and decrease consumer spending, further damaging Maryland businesses. Lower and middle-income families will bear the brunt of these impacts.

Rather than pursuing this damaging tax policy, I urge the committee to explore other options to generate revenue that don't undermine our business climate and

economic competitiveness. There are better approaches than expanding the sales tax to services for Maryland. I respectfully request an unfavorable report on House Bill 1515.

Thank you for considering my testimony.