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Senate Budget and Taxation Committee

March 12, 2025

Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*

POSITION: OPPOSE

We oppose Senate Bill 1045 on behalf of the Maryland Association of Adult Day Services (MAADS) and the Maryland-National Capital Homecare Association (MNCHA). Senate Bill 1045 would impose a 2.5% tax on certain services one business provides to another. Our respective members provide care to individuals in the community, such as medical adult day care centers or in a person's home, thereby avoiding more costly settings like nursing homes and hospitals.

Several of the identified services, such as billing and record keeping, accounting, electronic health records, and staffing agencies, would impose a significant financial burden on the members of MAADS and MNCHA. During this Session, our members are facing losing the 1% rate increase contained in the proposed Fiscal Year 2026 budget and a possible 2% rate reduction, as the Department of Legislative Services recommended.

Maryland must do better to ensure that community-based services can continue to operate in this State. Senate Bill 1045 will have the opposite effect. Senate Bill 1045 can be characterized as an unfunded mandate. Because so many of the programs participate in the State's Medicaid program, the ability to pass the cost of this tax on to clients is not permitted for Medicaid recipients. For private pay patients, it becomes problematic due to State regulations and the concern that passing on the tax will only increase health care costs for many on a fixed income. As a result, the State is at risk of those individuals spending down their resources and needing to go on Medicaid at a higher cost to the State.

Home-and-community-based services continue to struggle. This is often due to low reimbursement and the State's inability to address the backlog of client applications waiting for services. Because of this backlog, the census in these programs, whether medical adult day centers or home care agencies, is significantly reduced. Ironically, this failure often leads to higher costs for the State when those applicants eventually need to seek care in higher-cost settings. Imposing an additional tax on these entities will indeed have the effect of causing some to finally close their doors, resulting in an access to care problem. Taxing these entities is not the solution Maryland needs to address its budget deficit.

Therefore, we oppose Senate Bill 1045 and ask that health care services be exempted if the bill moves forward.

For more information:

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