

Senate Bill 1045**Date:** March 9, 2025**Committee:** Senate Budget and Taxation Committee**Position:** **Opposed**

Dear Chair Guzzone and Members of the Committee,

I own All Around RV Inspections, LLC, a Maryland company formed in 2022. My company offers services related to recreation vehicles for both travel trailers and motor homes. My business offers certified pre-purchase inspections for clients, documenting the condition of the RV before the unit is paid for. My company also offers new owner training and general RV consulting for RV owners. Company services are provided throughout the state of Maryland and neighboring states.

I write to express strong opposition to Senate Bill 1045, which would expand Maryland's sales and use tax to essential business-to-business (B2B) services. This proposal would create a new 2.5% tax on a wide range of services that my business relies on every day, including accounting, IT support, consulting, and many others.

While I understand Maryland faces budget challenges, implementing a B2B service tax represents a short-term fix that would create significant long-term problems for Maryland's economy and competitiveness. There are several specific reasons why this legislation would harm Maryland businesses:

Disproportionate Impact on Small Businesses

My small business operates on a thin margin and lacks the resources to absorb new taxes or bring services in-house. Unlike large corporations, my small business relies heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add a disproportionate amount of new expenses for my struggling new business. My business is already struggling with economic pressures, potentially forcing difficult choices between raising prices or cutting investments in growth. Being a very new business, the possibility of closing the business due to the increased costs in this legislation is a very real possibility!

This legislation Will Result in Pyramiding Taxes

Taxing services increases the potential for services and goods to be taxed more than once, which leads to higher consumer costs.

Competitive Disadvantage in the Region

This tax would make Maryland an outlier among our neighboring states. Virginia and Delaware do not impose similar taxes on business services, creating an immediate competitive disadvantage for my business. All Around RV Inspections, LLC is a business that competes for business in neighboring states. My company is at a disadvantage because my competitors are not going to be subject to the proposed tax, putting my company at an immediate disadvantage.

Administrative Burden and Compliance Costs

Beyond the direct tax cost, this legislation would create significant administrative burdens for my business tracking, collecting, and remitting this new tax. This means additional accounting costs and time spent on compliance rather than growing my business.

Dangerous Precedent for Future Taxation

Once established, this tax structure could easily expand to additional service categories or increase in rate. While today's proposal targets specific services at 2.5%, there is legitimate concern that future budget shortfalls could lead to rate increases or expansion to other essential business services like legal services, real estate services, or healthcare.

Cascading Tax Effect

Unlike a traditional sales tax on final consumption, this B2B tax creates a "tax on tax" scenario where services taxed at various stages of production ultimately result in higher costs passed on to Maryland consumers. This cascading effect makes the true impact much greater than the nominal 2.5% rate suggests.

While we support efforts to ensure Maryland's fiscal stability, the most effective approach to address budget challenges is to focus on policies that encourage business growth and economic expansion. A thriving business community naturally generates increased tax revenue through job creation and economic activity.

I urge you to and the members of the Senate to carefully evaluate the implications of this legislation, reject SB 1045, and advocate for policies that support a thriving business environment in our state.

Sincerely,

Darrin Benning
Owner
All Around RV Inspections, LLC

