



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

March 10, 2025

The Honorable Venessa E. Atterbeary
Chair, House Ways and Means Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: House Bill 1554 - Sales and Use Tax - Taxable Business Services – Alterations - UNFAVORABLE

Dear Chairman Atterbeary and Members of the Committee,

I am writing in my capacity as President of the Maryland Association of Mutual Insurance Companies (MAMIC) in respectful opposition to House Bill 1554.

As you may recall, MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

Although services arising from the provision of insurance may be exempt as covered by the Maryland insurance premium tax, many other services listed in this legislation are not. For example, consulting services (page 5, line 7 and 8), software systems and applications and information technology (page 5, lines 3-6), are all considered to be taxable services under the bill. A number of MAMIC members are Maryland domestic corporations utilizing a holding company form of organization. Transactions of services between affiliates of such a holding company may be taxable under the bill, although in reality they should be considered as internal expenses.

In addition, expenses incurred during the adjudication of claims in the ordinary course of business could well be considered as taxable services under the bill. All of these tax obligations would exacerbate the affordability problems already affecting the insurance industry and the cost of insurance policies for Maryland residents.

While MAMIC fully appreciates the State's need for additional revenue, and we pledge to work with our legislative representatives on a fair and appropriate taxation of certain services that are not presently taxed, we strongly believe that such a subject requires a thorough legislative analysis that includes input from those entities who will be asked to pay the tax. We note the late introduction of this legislation and the inability of all parties to engage in a meaningful discussion of these important issues. Accordingly, we respectfully request an unfavorable report on House Bill 1554 and recommend that a detailed study be conducted during the legislative interim by the legislature, the Office of the Comptroller and the Governor's Office. We pledge our participation in such a study.

Very truly yours,

Melissa Shelley, President

cc: Bryson Popham