

March 10, 2025

The Honorable Guy Guzzone  
Budget & Taxation Committee  
3 West Senate Office Building  
Annapolis, Maryland 21401

**Re: SB1045 – Sales and Use Tax – Taxable Business Services - Alterations**

Dear Chairman Guzzone and Members of the Committee:

The Allegany County Chamber of Commerce (the Chamber), which represents more than 300 companies, corporations, and non-profits in Allegany County Maryland, would like 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 businesses rely on daily to operate, including accounting, IT support, consulting, and many others.

While we 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**

Small businesses operate on thin margins and lack the resources to absorb new taxes or bring services in-house. Unlike large corporations, small businesses rely heavily on outsourced professional services for accounting, technology support, and other essential functions. This tax would add thousands in new annual costs for businesses already struggling with economic pressures, potentially forcing difficult choices between raising prices, reducing staff, or cutting investments in growth.

**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 some neighboring states. Pennsylvania, Virginia, and Delaware (in some instances) do not impose similar taxes on business services, creating an immediate competitive disadvantage for Maryland businesses. For our members near state borders, this tax creates a strong incentive to seek service providers across state lines, while also encouraging Maryland-based service businesses to relocate to neighboring states.

**Administrative Burden and Compliance Costs**

Beyond the direct tax cost, this legislation would create significant administrative burdens for businesses that must track, collect, and remit this new tax. For many small businesses, this means additional accounting costs and time spent on compliance rather than growing their 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.

Sincerely,



Juli McCoy

President & CEO

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cc: Allegany County Delegation