



March 6, 2025

Ways and Means Committee  
Delegate Vanessa E. Atterbeary  
Room 131  
House Office Building  
Annapolis, Maryland 21401

**Re: HB 1554 – Sales and Use Tax - Taxable Business Services – Alterations – Oppose**

Dear Delegate Atterbeary:

We are writing to express our strong opposition to the proposed 2.5% tax on business-to-business (B2B) services outlined in HB 1554 and SB 1045. As an organization that supports businesses, we are deeply concerned about the potential negative consequences this tax would have on Maryland's business environment, particularly for small businesses and entrepreneurs.

The proposed tax would apply to a wide range of essential services such as accounting, marketing, IT support, human resources consulting, IT services, data processing and web hosting and many more essential services that most small businesses do not handle in-house.

The additional expense would place a heavy financial burden on businesses already struggling to manage rising operational costs. In particular, small businesses, which rely on affordable services to maintain their competitiveness, would be disproportionately impacted. This tax would raise their costs and, in many cases, force them to reduce or even eliminate crucial services that are necessary for their growth and survival. Also, does this mean that sole-proprietors would be required to apply for a sales and use tax license and file monthly reports?

Many small businesses are subs to large companies on government contractors. A 2.5% tax means a prime contractor has to pay 2.5% more for a sub's time, and most likely, they won't have room for that "rate increase" since they are bound by rates in a contract with the government. In the end, the sub most likely would have to eat/absorb it, which means they will be making 2.5% less.

Furthermore, imposing this tax could drive businesses to seek services in other states or move out of state. None of our neighboring states tax these business services. This shift could not only stifle economic growth in Maryland but also contribute to the loss of jobs and vital business activity within the state. Maryland's already tarnished reputation as a competitive business environment could be further harmed, discouraging future investment and innovation.



Rather than taxing vital business services, Maryland should focus on measures that support economic growth, reduce the burden on small businesses, and encourage investment in our state. Implementing a broad-based B2B tax would not only increase costs for businesses but also negatively impact the overall economic health of Maryland.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, **opposes** this bill. We therefore request that you give this bill an **unfavorable** report.

Sincerely,

A handwritten signature in black ink that reads "Mike McMullin".

Mike McMullin  
President  
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson  
Senator Justin Ready