

Testimony of

Mr. John Dentler

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to the

Committee on Ways and Means
Maryland House of Delegates

In Opposition to the Computer Service Tax

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I would like to thank the Maryland Assembly for the opportunity to speak here today in support of efforts to repeal the Computer Services Tax which will become effective 1 July 2008.

I am John Dentler. For the past 21 years, I have been a practicing engineer. My career has included service as the Military Department Chair of the Electrical Engineering Department at the United States Naval Academy. I now work for a small engineering consulting firm out of my home in Crofton.

I am currently the Region 2 (Mid-Atlantic region) Director of the Institute of Electrical and Electronics Engineers (IEEE), the world's largest technical professional association. IEEE has over 220,000 technology engineers across the United States, including over 9,000 computer engineers, programmers, power engineers and other innovative engineers in Maryland. My members will be directly impacted by this new tax, as will the companies they work for and own.

The Economic Alliance of Greater Baltimore has done some excellent work measuring the impact IT companies and professionals have had on Maryland. In short, the impact has been tremendous. Maryland is one of the more dynamic, innovative and wealthy states in our country precisely because it has attracted, nurtured and retained technology companies and the professionals who create, build and maintain them.

This legislative body deserves considerable praise for making the Maryland government a partner in fostering Maryland's entrepreneurial spirit. The state of Maryland and local governments have been exemplars for the rest of the country for the encouragement of new technology firms through partnerships like Technology Development Corporation (TEDCO), the Maryland Economic Development Corporation (MEDCO), the Chesapeake Innovation Center, and the NeoTech Incubator of Howard County. Even the University of Maryland's A. James Clark School of Engineering is a national leader in spurring technology based entrepreneurship among its students.

The Computer Service Tax threatens to undo much of the good work done by these organizations.

I have been privileged to know many entrepreneurs who have started businesses and I am proud to say that many are members of IEEE. My interaction with technology entrepreneurs has reinforced what I have learned through my own experiences. The lessons are quite simple:

- 1) Small firms have the most freedom to pursue ideas with the greatest risk and greatest potential return. They only answer to themselves and a few investors.
- 2) Large firms benefit from the proliferation of small firms through active partnerships that evolve critical technologies in high risk sectors.
- 3) Our future is dependent upon our youth, and young graduates look for exciting jobs with lots of responsibility. Entrepreneurs in small businesses friendly environments offer a disproportionate share of these opportunities, making them especially attractive to recent graduates who are focused on technology based entrepreneurship.

This Computer Service Tax uniquely harms small companies – exactly the companies you need to create an innovative and dynamic economy, and attract, retain and inspire the best young engineers.

Small firms are less able to pass new costs on to their customers, or avoid the tax through out of state billing or delivery schemes. They are less able to process paperwork. And they can afford less legal and accounting help to decipher vague legal requirements.

Worse, the Computer Service tax is, in essence, a tax on a tool. Computers are used by virtually every business in Maryland. Computer services are the tools used to keep those computers current, efficient, and secure.

If this law applied to carpenters, it would tax the use and maintenance of saws, for some jobs, but not the use of hammers or screwdrivers. Carpenters faced with such a situation would not use them when appropriate and may allow them to become dull and rusty, thus decreasing the carpenter's efficiency and competitiveness.

This tax hits every business in Maryland that uses computers, and especially small businesses. In response, companies may delay upgrading their computer hardware and software, gradually degrading their competitiveness. Companies may shift the type of services they provide, losing opportunities and sales. Or, this accounting nightmare may simply drive them out of the state.

The owner of my company already told me that, if he has to pay this tax, it will come out of my salary. You have given me a pay cut if I stay in Maryland. Why would I stay, since I can just as easily do my job from Virginia?

This Assembly had positioned Maryland well for the Twenty-First century. Repealing the Computer Service tax will reverse legislation that diverts our State from a well-chosen and wise path.

I would like to commend the Maryland Assembly for addressing this issue and for working to keep my state a major player in the nation's and the world's technology driven economy.

Please repeal this tax. Thank you

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