

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1238
Ways and Means

(Delegate Acevero, *et al.*)

Taxation - Ultra-High-Net-Worth Individual Surtax and Wealth Tax

This bill establishes a one-time wealth tax on a resident’s net worth in excess of \$1.0 billion, the proceeds of which are deposited in the newly-established Maryland Strategic Investment and Stabilization Fund to be administered by the Department of Budget and Management (DBM). The bill also imposes an ultra-high-net-worth individual surtax on residents with worldwide net worth in excess of \$1.0 billion on the last day of the tax year. The surtax equalizes an affected taxpayer’s average Maryland income tax rate with a specified “fair share” income tax rate. **The bill takes effect July 1, 2026. Provisions relating to the income surtax apply to tax year 2028 and beyond. Provisions relating to the one-time wealth tax terminate June 30, 2032.**

Fiscal Summary

State Effect: The bill’s net impact on State revenues is highly uncertain, as discussed below. General fund expenditures for the Comptroller’s Office increase by an estimated \$1.5 million to \$2.0 million in FY 2027 only.

Local Effect: Local revenues may be indirectly affected, though any such effect is highly uncertain, as discussed below. Local expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Ultra-high-net-worth individual” means an individual with a worldwide net worth that exceeds \$1.0 billion on the last day of the tax year. “Net worth” is defined as the fair market value of all assets (publicly traded securities; privately held business

interests; real property; interests held in trusts; tangible personal property; and intellectual property) owned or controlled by an individual less all liabilities of the individual.

Maryland Strategic Investment and Stabilization Fund

The fund is a special, nonlapsing fund, the interest earnings of which are credited to the general fund. The purpose of the fund is to reduce the State’s structural budget deficit and offset reductions in or limitations on federal funding for State-administered programs. The fund generally may be used only for such purposes; however, for a fiscal year in which the fund is not needed for such purposes as certified by the Board of Revenue Estimates, the fund may be used for education funding and implementation of the Blueprint for Maryland’s Future; behavioral health workforce expansion and community-based services; affordable housing and climate-resilient infrastructure; and small business and innovation grants.

One-time Wealth Tax

The one-time wealth tax is based on a marginal rate schedule with a top marginal rate of 6% for net worth in excess of \$5.0 billion, as shown in **Exhibit 1**. The valuation date of the tax imposed is January 1, 2027, or any other date the Comptroller establishes by regulation. The tax may be paid in equal installments over a period of five years, subject to a reasonable interest rate set by the Comptroller. The Comptroller must adopt regulations for the calculation, administration, collection, and enforcement of the tax.

Exhibit 1
One-time Wealth Tax Rate Schedule

If net worth is:		The one-time wealth tax is:	
<u>At least:</u>	<u>But not over:</u>		
\$1,000,000,000	\$2,500,000,000	3.00%	of net worth in excess of \$1,000,000,000
\$2,500,000,000	\$5,000,000,000	\$45,000,000 plus 5.00%	of net worth in excess of \$2,500,000,000
\$5,000,000,000		\$170,000,000 plus 6.00%	of net worth in excess of \$5,000,000,000

Source: Department of Legislative Services

Ultra-high-net-worth Individual Surtax

The ultra-high-net-worth individual surtax rate is equal to the differential between an affected taxpayer's Maryland effective income tax rate (defined as the total amount of State and county income tax due for the tax year divided by the taxpayer's Maryland taxable income for the tax year) over the Maryland fair share income tax rate, which is defined as the median effective Maryland income tax rate paid by all Maryland residents for the most recent tax year for which data is available. By December 31 annually, the Comptroller must determine and publish the Maryland fair share income tax rate for the next year.

The Comptroller may require a resident to file with the return a specified net worth disclosure statement. The Comptroller may also evaluate any transfer of assets by a resident that occurs within two years of the start of a tax year to determine whether the transfer was for the sole purpose of avoiding the surtax. If the Comptroller determines that the transfer is for the sole purpose of avoiding the surtax, the surtax must be imposed on the resident's Maryland taxable income.

Current Law: Maryland's State individual ordinary income tax rates and county income tax rates are applied to Maryland taxable income. Maryland taxable income is equal to federal adjusted gross income (AGI) as adjusted for Maryland addition and subtraction modifications (Maryland AGI) minus Maryland deductions and exemptions.

Exhibit 2 shows the State's individual ordinary income tax rates and brackets. The Budget Reconciliation and Financing Act (BRFA) of 2025 increased the top marginal income tax rate from 5.75% to 6.50% for Maryland taxable income in excess of \$1,000,000 (\$1,200,000 for joint filing types). The Act also increased the marginal tax rate applied to taxable income from \$500,001 up to \$1,000,000 (for joint filing types, taxable income from \$600,001 up to \$1,200,000) from 5.75% to 6.25%.

The BRFA of 2025 also imposes a 2% surtax for taxpayers with federal AGI in excess of \$350,000 on certain net capital gain included in Maryland AGI. The surtax does not apply to gain from the sale or exchange of a primary residential dwelling sold for less than \$1.5 million; assets held in specified retirement savings plans; cattle, horses, or breeding livestock held for more than 12 months; certain land subject to a conservation, agricultural, or forest preservation easement; § 179 eligible property; or affordable housing owned by a nonprofit organization. The Comptroller must distribute 37.5% of the proceeds from the surtax to the Transportation Trust Fund.

Exhibit 2
State Individual Income Tax Rates

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.75%	\$3,001-\$100,000	4.75%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	\$250,001-\$500,000	5.75%	\$300,001-\$600,000
6.25%	\$500,001-\$1,000,000	6.25%	\$600,001-\$1,200,000
6.50%	Excess of \$1,000,000	6.50%	Excess of \$1,200,000

Source: Department of Legislative Services

Exhibit 3 shows the county income tax rates for tax year 2026. The BRFA of 2025 increased the maximum income tax rate a county may impose on Maryland taxable income from 3.20% to 3.30%. Nonresidents who are subject to the State income tax but are not subject to the county income tax are subject to the special nonresident tax at a rate equal to the lowest county income tax rate in Maryland (currently 2.25%).

Exhibit 3
County Income Tax Rates
Tax Year 2026

<u>County</u>	<u>Rate</u>	<u>County</u>	<u>Rate</u>
Allegany	3.20%	Harford	3.06%
Anne Arundel	3.20% ¹	Howard	3.20%
Baltimore City	3.20%	Kent	3.30%
Baltimore	3.20%	Montgomery	3.20%
Calvert	3.20%	Prince George's	3.20%
Caroline	3.20%	Queen Anne's	3.20%
Carroll	3.03%	St. Mary's	3.20%
Cecil	2.74%	Somerset	3.20%
Charles	3.03%	Talbot	2.40%
Dorchester	3.30%	Washington	2.95%
Frederick	3.20% ²	Wicomico	3.20%
Garrett	2.65%	Worcester	2.25%

¹ Reflects the tax year 2026 top marginal county income tax rate for Anne Arundel County, which applies to the amount of Maryland taxable income in excess of \$400,000 (\$480,000 for joint filers, heads of household, and qualified surviving spouses). For single filers, married individuals filing separately, and dependent filers, the tax year 2026 county income tax rates are 2.70% of Maryland taxable income of \$1 through \$50,000; 2.94% of Maryland taxable income of \$50,001 through \$400,000; and 3.20% of Maryland taxable income over \$400,000. For joint filers, heads of household, and qualified surviving spouses, the tax year 2026 county income tax rates are 2.70% of Maryland taxable income of \$1 through \$75,000; 2.94% of Maryland taxable income of \$75,001 through \$480,000; and 3.20% of Maryland taxable income over \$480,000.

² Reflects the tax year 2026 top county income tax rate for Frederick County, which applies to taxpayers with Maryland taxable income of more than \$150,000 (\$250,000 for joint filers, heads of household, and qualified surviving spouses). For single filers, married individuals filing separately, and dependent filers, the tax year 2026 county income tax rates are 2.25% for taxpayers with Maryland taxable income between \$1 and \$25,000 (inclusive); 2.75% for taxpayers with Maryland taxable income between \$25,001 and \$50,000 (inclusive); 2.96% for taxpayers with Maryland taxable income between \$50,001 and \$150,000 (inclusive); and 3.20% for taxpayers with Maryland taxable income of \$150,001 or more. For joint filers, heads of household, and qualified surviving spouses, the tax year 2026 county income tax rates are 2.25% for taxpayers with Maryland taxable income between \$1 and \$25,000 (inclusive); 2.75% for taxpayers with Maryland taxable income between \$25,001 and \$100,000 (inclusive); 2.96% for taxpayers with Maryland taxable income between \$100,001 and \$250,000 (inclusive); and 3.20% for taxpayers with Maryland taxable income of \$250,001 or more.

Source: Comptroller's Office; Department of Legislative Services

State/Local Revenues: As detailed above, the bill imposes a one-time wealth tax and an ongoing income surtax on certain ultra-high-net-worth residents. The number of potentially affected residents is unknown but assumed to be highly limited; thus, a precise estimate of the bill's effect on State revenues is not feasible at this time. Further, it is highly uncertain how affected taxpayers will respond to the one-time wealth tax (which, as shown in Exhibit 1, may be of significant magnitude for an affected taxpayer) and the impact of such response on existing State and local tax revenues, which may decline to the extent of any out-migration of ultra-high-net-worth individuals. Nonetheless, special fund revenues for the newly-created Maryland Strategic Investment and Stabilization Fund increase beginning as early as fiscal 2027 to the extent of any one-time wealth tax collections.

The potential impact of the ongoing income surtax for ultra-high-net-worth individuals (effective for tax year 2028 and beyond) is also unclear, as is its potential interaction with the State's pass-through entity (PTE) tax. As noted above, the surtax rate is the differential between a taxpayer's Maryland effective income tax rate (taxpayer's pre-surtax State and local income tax for the tax year divided by the taxpayer's Maryland taxable income for the tax year) and the State's median Maryland effective income tax rate (as determined by the Comptroller). The Department of Legislative Services (DLS) notes that because the bill's definition of Maryland effective income tax rate is based on taxable income, as opposed to a measure of gross Maryland income, it is assumed that the bill does not offset the impact of any income tax deductions or exclusions claimed by ultra-high-net-worth individuals but does offset the impact of any Maryland tax credits claimed by such individuals – including, notably, Maryland credits claimed for (1) income taxes paid to another state for net income properly subject to tax in that state and (2) for members of an electing PTE, any Maryland income tax paid by the PTE on the individual's behalf. Thus, the bill may influence the tax elections of affected PTEs. DLS further notes that the surtax's impact will also depend on the county income tax rates applicable to ultra-high-net-worth individuals, as the surtax rate effectively equalizes the county income tax rates paid by such individuals with the average county income tax rate.

State Expenditures: General fund expenditures for the Comptroller's Office increase by an estimated \$1.5 million to \$2.0 million in fiscal 2027 only for one-time programming changes to implement the bill's provisions. DBM can administer the Maryland Strategic Investment and Stabilization Fund with existing budgeted resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Department of Legislative Services

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caw/hlb

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