



**HB741 Corporate Income Tax - Rate Reduction
(Economic Competitiveness Act of 2023)
House Ways & Means Committee
February 23, 2023**

Position: Favorable

Background: HB741 would reduce the State corporate income tax to 6.25% over the next four years.

Comments: The Maryland Retailers Association supports HB741. This proposal, which would decrease the State corporate income tax incrementally from 8.25% in 2023 to 6.25% in 2027, would positively impact Maryland’s business community and increase the State’s competitiveness in attracting new businesses.

The Tax Foundation, an independent tax policy nonprofit founded in 1937, consistently ranks Maryland in the bottom ten states for its business tax climate. The Foundation considers corporate income taxes, individual income taxes, sales tax rates, property tax rates, and unemployment taxes when compiling its annual State Business Tax Climate Index, and rated Maryland at number forty-six in the nation in its 2023 Index. This ranking is in line with the continued rejection of recommendations made to the legislature by the Maryland Economic Development and Business Climate Commission (Augustine Commission). The Augustine Commission recommended changes to Maryland’s tax policies to make it a more “business friendly” environment, and the report included reducing the State corporate income tax as proposed in HB741. Maryland’s current corporate income tax rate is higher than our neighbors Virginia and West Virginia at 6% and 6.5% respectively. Lowering our tax rate to within 0.25% of these neighbors will allow us to remain competitive in attracting businesses and encouraging growth.

For these reasons, we would urge a favorable report on HB741. Thank you for your consideration.