

SB0923 -- Corporate Income Tax - Rate Reduction (E

Uploaded by: Brian Levine

Position: FAV



Senate Bill 923 -- Corporate Income Tax - Rate Reduction (Economic Competitiveness Act of 2024)
Senate Budget and Taxation Committee
February 28, 2024
Support

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, supports Senate Bill 923 -- *Corporate Income Tax - Rate Reduction (Economic Competitiveness Act of 2024)*.

Senate Bill 923 incrementally reduces, over five taxable years, Maryland's corporate income tax rate from the current 8.25% to 6.25% for tax year 2027.

Maryland's corporate income tax rate is relatively high compared to most states. Some surrounding and competitor states have lower rates, such as Virginia's 6.0% corporate tax rate and North Carolina's 2.5% rate. MCCC urges Maryland policymakers to consider an incremental reduction of the corporate tax rate to better compete with states like Virginia and North Carolina.

In the final report of the *Maryland Economic Development and Business Climate Commission*, released in 2016, it was found that, "reducing Maryland's corporate income tax rate would make the State more competitive in attracting economic development and creating jobs." The report recommended that the State of Maryland reduce, over three years, the corporate income tax rate, stating that, "reducing the corporate income tax rate to 7.0% will make Maryland more competitive for businesses considering expanding or relocating in the State. It will allow businesses to lower the cost of capital, create jobs, and increase investment in the economy. This will be true for both smaller in-state businesses and larger multistate corporations." The report also concluded that reducing the corporate tax rate was affordable as it provides a relatively modest amount of State revenues compared to the individual income tax and sales tax.

If Maryland were to reduce its corporate, the message to the business community would be that Maryland is invested in supporting economic growth and job creation. Furthermore, the perception of Maryland as a less-than-friendly business state would diminish significantly.

For these reasons, the Montgomery County Chamber of Commerce supports Senate Bill 923 and respectfully requests a favorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com

SB0923_FAV_MTC_Corporate Income Tax - Rate Reducti

Uploaded by: Christine Krone

Position: FAV



MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Johnny Mautz

FROM: Christine K. Krone
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
Andrew G. Vetter

DATE: February 28, 2024

RE: **SUPPORT** – Senate Bill 923 – *Corporate Income Tax – Rate Reduction (Economic Competitiveness Act of 2024)*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential, making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **support** for Senate Bill 923.

Senate Bill 923 reduces the corporate income tax rate from 8.25% to 7.75% for tax year 2025, 7.25% for tax year 2026, 6.75% for tax year 2027, and 6.25% for tax year 2028 and beyond. It has been well documented through numerous studies that Maryland's corporate income tax rate stifles the State's business climate. Most recently, the Tax Foundation's 2023 Business Climate Index ranked Maryland's corporate tax rate 33rd in the nation. This is particularly problematic for the life sciences and technology industries where competition with surrounding States, such as Virginia (*Virginia has a flat 6% corporate income tax rate*), for funding, workforce, and other economic development infrastructure support places Maryland at a distinct disadvantage. The Augustine Commission, which was created to evaluate Maryland's economic framework and make recommendations to improve its competitiveness, included lowering the corporate tax rate in its recommendations. A lower tax rate allows for more reinvestment in growth opportunities, supports employment expansion, and reduces both the cost of running a business and the need for equity capital. A lower tax rate will also attract new companies to locate and conduct business in Maryland. Passage of Senate Bill 923 provides a critical enhancement of Maryland's economic competitiveness. A favorable report is requested.

For more information call:

Christine K. Krone
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
Andrew G. Vetter
410-244-7000

SB 923 – Corporate Income Tax – Rate Reduction (Ec

Uploaded by: Danna Blum

Position: FAV



February 24, 2024

Budget and Taxation Committee
Senator Guy Guzzone
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB 923 – Corporate Income Tax – Rate Reduction (Economic Competitiveness Act of 2024)- Support

Dear Senator Guzzone:

This bill would be a positive move that could attract more businesses to Maryland and reduce the tax burden on current resident corporations. We support reductions in Maryland Corporate tax rates.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, supports this bill and therefore, requests that you give it a favorable report.

Sincerely,

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

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Senator Justin Ready
Delegate April Rose

SB0923_OCChamber_Thompson_FAV.pdf

Uploaded by: DENNIS RASMUSSEN

Position: FAV



Ocean City, Maryland Chamber of Commerce

410-213-0144 info@oceancity.org
oceancity.org 12320 Ocean Gateway, Ocean City, MD 21842

TESTIMONY OFFERED ON BEHALF OF THE GREATER OCEAN CITY MARYLAND CHAMBER OF COMMERCE

IN SUPPORT OF:

SB0923 – Corporate Income Tax - Rate Reduction (Economic Competitiveness Act of 2024)

Before:

Budget & Taxation Committee

Hearing: 2/28/2024 at 1:00 PM

The Greater Ocean City Chamber of Commerce, representing more than 700 regional businesses and job creators, **SUPPORTS** Senate Bill 0923 – Corporate Income Tax - Rate Reduction (Economic Competitiveness Act of 2024). This legislation would decrease the State’s corporate income tax rate from 8.25% to 6.25% over 5 taxable years.

The Maryland Chamber of Commerce 2024 Competitive Redbook cites that tax competitiveness remains a significant challenge for Maryland. According to the Tax Foundation’s State Business Tax Climate Index, Maryland is ranked an abysmal 45th in the nation for business tax climate. This legislation is aligned with Governor Moore’s priority to make Maryland attractive for business.

The Greater Ocean City Chamber respectfully requests a **FAVORABLE REPORT for SB0923**. Please feel free to contact the Chamber directly at 410-213-0144 should you have any questions.

Respectfully submitted,

Amy Thompson

Executive Director
amy@oceancity.org

Joe Schanno

Legislative Committee Chair
joe.schanno@gmail.com

SB 923 FINAL WR Testimony.pdf

Uploaded by: Giavante Hawkins

Position: FAV



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625
Owings Mills, MD 21117

1-800-922-9672
410-876-5998

FAX 443-881-4146
www.msatp.org

OFFICERS & DIRECTORS

Donya S. Oneto
President

Ellen S. Silverstein
1st Vice President

Hannah Coyle
2nd Vice President

Jonathan E. Rivlin
Secretary

Ann F. Elliott
Treasurer

Sean D. Coggins
Delegate

Matthew T. Eddleman
Delegate

Michael L. Kohler
Delegate

Michael S. McIlhargey
Delegate

Nicole Moore
Delegate

Barbara J. Smith
Past President

Christine Giovetti
Board of Trustees Delegate

Giavante' Hawkins
Executive Director

To: Budget and Taxation

From: The Maryland Society of Accounting and Tax Professionals

Re: SB 923

Contact Person: Giavante' Hawkins

Position: IN FAVOR

Corporate Income Tax – Rate Reduction (Economic Competitiveness Act of 2024)

On behalf of the Maryland Society of Accounting and Tax Professionals (MSATP), representing over 2,000 tax professionals serving hundreds of thousands of Maryland taxpayers, I write in support of Senate Bill 923.

As the "Economic Competitiveness Act of 2024," this legislation wisely proposes measured reductions in the state's corporate income tax rate over 5 years – from 8.25% down to 6.25%. By methodically decreasing tax burdens each year, Senate Bill 923 will substantially strengthen Maryland's business climate and stimulate sustained economic expansion.

Our members work hand-in-hand with small business owners across critical industries that propel job creation and prosperity for Marylanders in every jurisdiction. We have seen firsthand the intense fiscal pressures these entrepreneurs and employers face on razor-thin margins, even as they invest tremendous time and capital into growing within our great state. Senate Bill 923 offers rightfully deserved relief through corporate tax cuts, empowering increased wages and more hires.

Additionally, making our state more attractive for business investment and development is vital for outperforming regional and national competitors in today's economy. The reality is that employers large and small have options across state lines, and Senate Bill 923 makes a powerful statement that Maryland welcomes opportunity seekers with open arms. The downstream impacts surely will pay dividends through job opportunities for hard-working citizens.

MSATP wholeheartedly endorses a multi-year timeline for implementation and directly ties corporate tax policy to bolster economic strength. We urge a favorable report on this legislation representing a prudent, compassionate approach to fueling entrepreneurship and prosperity. Please feel free to contact our offices with any other questions. Thank you again for allowing our perspective.

Thank you for your consideration.

Giavante Hawkins



SB 923_Corporate Income Tax_Rate Reduction_FAV.pdf

Uploaded by: Hannah Allen

Position: FAV



LEGISLATIVE POSITION:

Favorable

Senate Bill 923 – Corporate Income Tax – Rate Reduction (Economic Competitiveness Act of 2024)

Senate Budget & Taxation Committee

Wednesday, February 28, 2024

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 923 would reduce the corporate income tax rate from 8.25% to 7.75% for tax year 2025, 7.25% for tax year 2026, 6.75% for tax year 2027, and 6.25% for tax year 2028 and beyond.

The Maryland Chamber of Commerce supports this critical legislation, as it would put the state in a far greater footing in terms of business climate and national economic competitiveness. It is well documented, most notably by the Augustine Commission, that Maryland's corporate income tax rate stifles the state's business climate. The Commission concluded that a reduction in the rate would allow businesses to establish new or expand existing operations, while preventing the continued outmigration of businesses and workers to more competitive states. The language of this bill is identical to that proposed by the Commission.

Much has happened in Maryland's financial world since the rate was increased in 2007. Not only has the Supreme Court allowed Maryland to collect an additional \$100 million a year from online sales, but, in aggregate, the Comptroller estimates that Maryland's largest employers will pay an additional half-billion dollars in taxes over the next four years due to changes in the federal tax code.

The only constant for Maryland is that wealth continues to flow out of the state. Between 2016 and 2017, the Internal Revenue Service reported a net loss of over \$1.6 billion. Meanwhile, our top economic competitor, Virginia, has recently put forward an agenda this year to decrease its rate from six to five percent, paid for by their revenue windfall from the federal Tax Cuts and Jobs Act.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **favorable report** on SB 923.

sb9232test - Rate Reduction (Economic Competitiveness)

Uploaded by: Marcus Jackson

Position: FAV



The Voice of Merit Construction

February 29, 2024

Mike Henderson

*President
Greater Baltimore Chapter
mhenderson@abcbaltimore.org*

Chris Garvey

*President & CEO
Chesapeake Shores Chapter
cgarvey@abc-chesapeake.org*

Dan Bond CAE

*President & CEO
Metro Washington Chapter
dbond@abcmetrowashington.org*

Amos McCoy

*President & CEO
Cumberland Valley Chapter
amos@abccvc.com*

Tricia Baldwin

*Chairman
Joint Legislative Committee
tbaldwin@reliablecontracting.com*

Marcus Jackson

*Director of Government Affairs
Metro Washington Chapter
mjackson@abcmetrowashington.org*

Martin "MJ" Kraska

*Government Affairs Director
Chesapeake Shores Chapter
mkraska@abc-chesapeake.org*

Additional representation by:
Harris Jones & Malone, LLC

TO: BUDGET AND TAXATION COMMITTEE
FROM: ASSOCIATED BUILDERS AND CONTRACTORS
RE: S.B. 923 – CORPORATE INCOME TAX – RATE REDUCTION
(ECONOMIC COMPETITIVENESS ACT OF 2024)
POSITION: FAVORABLE

Associated Builders and Contractors (ABC) supports S.B. 923 which is before you today for consideration. This bill will reduce the corporate income tax rate from 8.25% to 6.25% by tax year 2028.

By reducing the corporate income tax rate, it would allow Maryland businesses to establish new or expand existing operations, while preventing the continued outmigration of businesses and workers to more competitive states. In addition, this bill would be of great assistance to the backbone of our industry, the smaller contractors.

ABC represent more than 1500 construction and construction-related companies through its four Maryland chapters. Our members believe in the tenets of free enterprise, investing in their workforce and giving back to the communities in which they live, work and play. With that in mind, we respectfully request a favorable report on S.B. 923.

6901 Muirkirk Meadows Drive
Suite F
Beltsville, MD 20705
(T) (301) 595-9711
(F) (301) 595-9718

Marcus Jackson, Director of
Government Affairs

SACC Senate Bill 0923.pdf

Uploaded by: william Chambers

Position: FAV



Thursday February 28, 2024

LEGISLATIVE POSITION: Favorable
Senate Bill 0923 – Corporate Income Tax – Rate Reduction
Senate Budget and Taxation Committee

Dear Chairman Guzzone, and Members of the Committee:

Founded in 1920, The Salisbury Area Chamber of Commerce is a regional Chamber of Commerce representing over 700 members from twelve Maryland Counties.

Senate Bill 0923 would gradually step-down Maryland Corporate Income Tax rate from its current onerous 8.25% to 6.25% for tax year 2027 and beyond.

The Salisbury Area Chamber of Commerce supports this critical legislation, as it would put the state in a far greater footing in terms of a welcoming business climate and national economic competitiveness. It is well documented, most notably by the Augustine Commission, that Maryland's corporate income tax rate stifles the state's business climate. The Commission concluded that a reduction in the rate would allow businesses to establish new or expand existing operations, while preventing the continued outmigration of businesses and workers to more competitive states. The language of this bill is identical to that proposed by the Commission.

Much has happened in Maryland's financial world since the rate was increased a decade and a half ago. Not only has the Supreme Court allowed Maryland to collect an additional \$100 million a year from online sales, but, in aggregate, the Comptroller estimates that Maryland's largest employers will pay an additional half-billion dollars in taxes over the next four years due to changes in the federal tax code.

The only constant for Maryland is that wealth continues to flow out of the state. Between 2016 and 2017, the Internal Revenue Service reported a net loss of over \$1.6 billion. Meanwhile, our top economic competitor, Virginia, has recently put forward an agenda this year to decrease its rate from six to five percent, paid for by their revenue windfall from the federal Tax Cuts and Jobs Act.

For these reasons, the Salisbury Area Chamber of Chamber of Commerce respectfully requests a favorable report on SB0923.

Sincerely,

William R. Chambers
President/CEO

SALISBURY AREA CHAMBER OF COMMERCE

The Voice for Business on Delmarva

SB 923_MD Center on Economic Policy_UNF.pdf

Uploaded by: Kali Schumitz

Position: UNF

Despite False Promises, Irresponsible Corporate Tax Cut Would Set Maryland Back

Position Statement in Opposition to Senate Bill 923

Given before the Senate Budget and Taxation Committee

Sufficient tax revenue is essential for supporting the investments that make Maryland a good place to live, work, and do business – such as schools to train tomorrow’s workforce, roads to bring workers to jobs and goods to market, and courts to enforce contracts. Our current fiscal headwinds threaten all of these foundations of our economy. Cutting the corporate income tax would deepen this hole, costing the state and local governments more than \$1.7 billion over the next five years.¹ This irresponsible tax cut would ultimately have the opposite of its intended effect, weakening our economy in the long term. For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 923.

Lawmakers this year face a stark choice. Under current law, we are expected to reach a general fund structural deficit of \$2.9 billion by FY 2029 and almost certainly higher in future years. The math is simple: To meet the state’s constitutional balanced budget requirement, we will need to either raise significant new revenue or cut deeply into public services like education, child care,

Corporate Tax Cut Would Deepen Maryland's Budget Hole

General fund structural outlook under current law and Senate Bill 923, FY 2025–2029 (\$ millions)

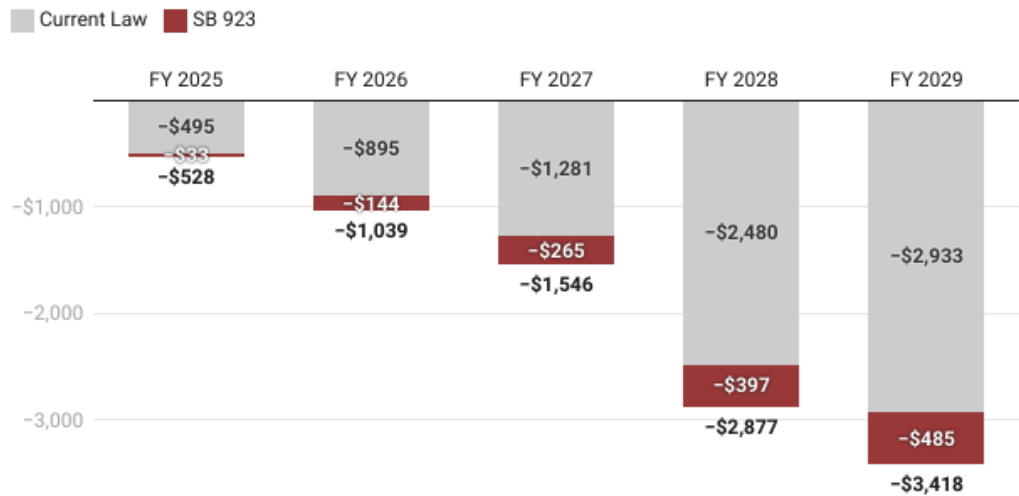


Chart: Maryland Center on Economic Policy • Source: FY 2025 Fiscal Briefing and SB 923 Fiscal and Policy Note • Created with Datawrapper

and transportation. Senate Bill 923 would make this predicament worse by adding \$1.3 billion to the general fund deficit over the next five years. On top of that, the bill would eliminate \$355 million in state funding for higher education and transportation during this period, plus \$52 million in much-needed local transportation funding.

Senate Bill 923 would force cuts to precisely the investments that make Maryland’s economy strong. Surveys of corporate leaders make clear that taxes are not among their most important considerations when deciding where to locate.ⁱⁱ They place more value on factors like access to skilled labor, highway access, and quality of life, all of which depend on sufficient public investment. Shareholders and executives may wish to pay less in taxes, but the revenue loss would ultimately make Maryland a less attractive place to do business.

Senate Bill 923 would also stifle opportunity and worsen structural barriers that hold back Marylanders of color. For example:

- Without significant new revenue, the current fiscal outlook will make it all but impossible to keep the promise of the Blueprint for Maryland’s Future, which includes major reforms to make school funding more equitable. The last time Maryland lawmakers rolled back school funding improvements, this decision left more than half of the state’s Black students going to school in a district that was underfunded by 15% or more.ⁱⁱⁱ This is the most likely result of the revenue loss Senate Bill 923 would bring about.
- Senate Bill 923 would worsen the state’s already severe shortfall in transportation revenue, preventing the maintenance, repairs, and expansions needed to ensure Marylanders have reasonable commutes to good jobs. Due in large part to inadequate public transportation infrastructure, Black workers and other workers of color in Maryland

Corporate Tax Cut Would Hit Higher Ed, Transportation, Local Governments

Five-year cumulative revenue loss under Senate Bill 923 by fund, FY 2025–2029 (\$ millions)

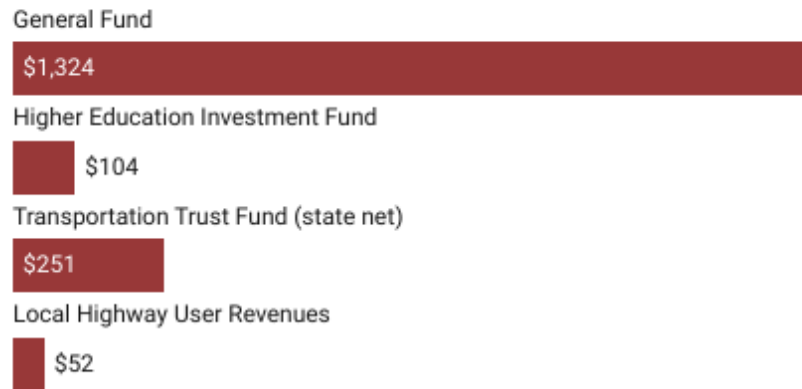


Chart: Maryland Center on Economic Policy • Source: SB 923 Fiscal and Policy Note • Created with Datawrapper

EY: Business Is a Smaller Share of Maryland's Tax Mix than in Any Other State

Business share of total state and local taxes, FY 2022

State	Rank	Business Share
Maryland	51	31.8%
Virginia	39	40.6%
Pennsylvania	31	41.9%
West Virginia	13	51.6%
District of Columbia	11	53.0%
Delaware	8	55.5%
United States		44.6%

Bar chart is scaled to the maximum business share across all states (ND, 76.3%)

Table: Maryland Center on Economic Policy • Source: EY FY22 Business Tax Report • Created with Datawrapper

typically face longer commutes than their white neighbors.^{iv} Senate Bill 923 would make it that much harder to right this wrong.

The fact is, **Maryland's tax code is already highly favorable to business.** According to an annual report prepared by the global accounting and consulting firm EY for the anti-tax Council on State Taxation:^v

- State and local business taxes are a smaller share of private-sector economic output in Maryland than in 33 out of 50 states, including *all* of Maryland's neighbors, plus the District of Columbia.
- Business is a smaller contributor to Maryland's tax mix than in *any* other state.
- Maryland is tied with Utah for the **most public investments benefiting business per dollar** paid in taxes, nationwide.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make an unfavorable report on Senate Bill 923.

Equity Impact Analysis: Senate Bill 360

Bill summary

Senate Bill 923 would cut Maryland's corporate income tax rate from 8.25% to 6.25% by 2028.

Background

Maryland's corporate income tax is projected to raise \$2.3 billion in FY 2025. A portion of revenue is distributed to the Higher Education Investment Fund and the Transportation Trust Fund, while the majority supports the general fund.

According to an annual report prepared by the global accounting and consulting firm EY:

- State and local business taxes are a smaller share of private-sector economic output in Maryland than in 33 out of 50 states, including all of Maryland's neighbors, plus the District of Columbia.
- Business is a smaller contributor to Maryland's tax mix than in any other state.
- Maryland is tied with Utah for the most public investments benefiting business per dollar paid in taxes nationwide.

Maryland belongs to the minority of states that tax corporate income on a separate reporting basis, costing the state more than \$200 million annually in forgone revenue.

Equity Implications

The revenue loss from enacting Senate Bill 923 poses significant equity concerns:

- Without significant new revenue, the current fiscal outlook will make it all but impossible to keep the promise of the Blueprint for Maryland’s Future, which includes major reforms to make school funding more equitable. The last time Maryland lawmakers rolled back school funding improvements, this decision left more than half of the state’s Black students going to school in a district that was underfunded by 15% or more. This is the most likely result of the revenue loss Senate Bill 923 would bring about.
- Senate Bill 923 would worsen the state’s already severe shortfall in transportation revenue, preventing the maintenance, repairs, and expansions needed to ensure Marylanders have reasonable commutes to good jobs. Due in large part to inadequate public transportation infrastructure, Black workers and other workers of color in Maryland typically face longer commutes than their white neighbors. Senate Bill 923 would make it that much harder to right this wrong.

Furthermore, cutting the corporate tax rate would primarily benefit the small number of wealthy households that hold the bulk of corporate stock and other financial assets. Multiple intersecting areas of historical and continuing racist policy have made household wealth in the United States heavily lopsided. Analysis in recent years shows that the wealthiest 10 percent of white households nationwide (about 6 percent of all households) control nearly two-thirds of all built-up wealth.^{vi} While the harm from Senate Bill 923 would be widespread, the benefits would be highly concentrated.

Impact

Senate Bill 923 would likely **worsen racial and economic inequity** in Maryland.

ⁱ Senate Bill 923 Fiscal and Policy Note.

ⁱⁱ MDCEP analysis of *Area Development* magazine 33rd to 37th annual corporate surveys. Access to skilled labor, highway access, and quality of life ranked higher than corporate income tax rates on average during this period. Corporate taxes appeared among the top five factors once, less often than skilled labor (all five years), highway access (four out of five years), and quality of life (three out of five years).

ⁱⁱⁱ Christopher Meyer, “Budgeting for Opportunity: How our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity,” Maryland Center on Economic Policy, 2018, <https://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/>

^{iv} Christopher Meyer, “Budgeting for Opportunity: Maryland’s Workforce Development Policy Can Be a Tool to Remove Barriers and Expand Opportunity,” Maryland Center on Economic Policy, 2021, <https://www.mdeconomy.org/budgeting-for-opportunity-workforce/>

^v Andrew Phillips and Caroline Sallee, “FY22 Business Tax Report: A Comprehensive State and Local Tax Review,” EY, 2023, https://www.ey.com/en_us/tax/state-and-local-businesses-taxes-for-fy22

^{vi} Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, “Advancing Racial Equity with State Tax Policy,” Center on Budget and Policy Priorities, 2018, <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>

SB 923 Statement of Information.pdf

Uploaded by: Laura Vykol-Gray

Position: UNF



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

WES MOORE
Governor

HELENE GRADY
Secretary

ARUNA MILLER
Lieutenant Governor

MARC L. NICOLE
Deputy Secretary

SENATE BILL 923 Corporate Income Tax - Rate Reduction (Economic Competitiveness Act of 2024)

STATEMENT OF OPPOSITION

DATE: February 28, 2024

COMMITTEE: Budget and Taxation

SUMMARY OF BILL: Senate Bill 923 steadily decreases the state corporate income tax rate from 8.25% to 6.25% over a five tax year period.

EXPLANATION: The Comptroller’s Office estimates that, the tax rate in a given calendar, or tax, year will affect revenue in several following Fiscal Years (FYs). This is because corporations make quarterly estimated tax payments; later, the difference between estimated payments and the total amount of taxes due for the year is settled up. As a result, the annual fiscal cost will grow slowly at first and build up over time. The results of this analysis can be seen below:

\$ Millions	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF	-32.8	-146.2	-267.6	-391.5	-477.6
TTF	-7.7	-34.2	-62.6	-91.6	-111.7
HEIF	-2.6	-11.5	-21.1	-30.8	-37.6
Total	-43.0	-191.9	-351.3	-513.9	-626.9

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long-term. In light of current projected general fund deficits in fiscal 2026 forward, the Department urges caution in passing legislation significantly reducing general fund revenues. It would be challenging for the State to manage this revenue loss given the forecasted out-year deficits for the General Fund.

POSITION: OPPOSITION

For additional information, contact Laura Vykol-Gray at
(410) 260-6371 or laura.vykol@maryland.gov