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January 31, 2025

Honorable Members of the Budget and Taxation Committee

Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

RE: Support for Senate Bill 836 - Corporate Income Tax -- Rate Reduction (Economic Competitiveness Act of 2025)

Dear Chair and Committee Members:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents.

We enthusiastically support Senate Bill 836, which proposes a measured and strategic reduction in Maryland's corporate income tax rate. In our professional capacity serving Maryland businesses, we have witnessed firsthand how our state's current 8.25% corporate tax rate has impacted business decisions, particularly when companies consider expanding or relocating their operations. The proposed gradual reduction to 6.25% over four years represents a thoughtful approach that balances the need for increased economic competitiveness with fiscal responsibility. Our members regularly advise businesses considering multi-state operations, and this tax reduction would significantly enhance Maryland's position in the regional market, particularly when competing with Virginia's 6% rate and North Carolina's 2.5% rate.

However, we believe an acceleration of the decrease would be more beneficial for Maryland's competitive position. Even at the intermediate rate of 7.9%, Maryland would still remain at a significant disadvantage, with a rate nearly 2% higher than Virginia, our main competitor, and more than 5% higher than North Carolina. This substantial gap continues to impact our state's ability to attract and retain businesses.

The corporate rate reduction, while a step in the right direction, represents only a partial solution to Maryland's broader economic challenges. It's crucial to note that most small businesses are organized as S Corporations, where income "flows through" to the taxpayer at their individual tax rate. Therefore, the impact of increasing individual tax rates and fees (which are effectively another form of taxation) has a disproportionate negative impact on the overall economy and small business community. This broader tax environment must be considered alongside corporate rate reductions to create a truly competitive business climate in Maryland.



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The phased implementation schedule provides businesses with the predictability and stability needed for long-term planning while allowing the state to adjust to the gradual revenue changes. From our experience working with small and medium-sized businesses, we can attest that this reduction will free up capital for business expansion, workforce development, and technological innovation. This legislation will not only benefit our corporate clients but will also create positive ripple effects throughout Maryland's economy, potentially leading to increased employment opportunities and economic growth in our communities.

We urge the committee to vote favorably on this pragmatic legislation that will strengthen Maryland's economic future while maintaining fiscal responsibility through its measured implementation approach, while also considering ways to accelerate the rate reduction and address the broader tax environment affecting S Corporations and small businesses.

Respectfully submitted,

Giavante' Hawkins

Giavante Hawkins
Maryland Society of Accounting and Tax Professionals

