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## **Senate Bill 836 Corporate Income Tax- Rate Reduction (Economic Competitiveness Act of 2025)**

### **Letter of Information**

**DATE:** March 4th, 2025

**COMMITTEE:** Budget and Taxation

**SUMMARY OF BILL:** This bill reduces Maryland's corporate income tax rate from 8.25% to 6.25% over five years. Here's the step-by-step reduction schedule:

**EXPLANATION:** This proposal reduces the corporate income tax rate more than the Governor's budget plan (6.25% vs. 7.99%) and, unlike the Governor's proposal, does not make any offsetting reforms to the corporate income tax base (i.e., combined reporting). As a result, the proposal would lower the state's revenue by hundreds of millions of dollars, with the revenue cost increasing in each successive fiscal year. 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.

Given the forecasted out-year deficits for the General Fund as well as significant uncertainty regarding the federal budget and policy changes, it would be challenging for the State to manage the revenue impact from this bill.

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