FEBRUARY 19, 2026

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

Position Statement in Opposition to House Bill 690

Given before the House Ways and Means 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, likely costing the state and local governments more than $700 million per year once fully phased in. 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 House Bill 690.**

Lawmakers this year face a stark choice. Even without a corporate tax cut, we face a projected general fund structural deficit of $2.3 billion in FY 2028, growing to $4.1 billion within five years. The math is simple: To meet the state's constitutional balanced budget requirement, we will need to either raise significant new revenue or make further, deeper cuts into public services like education, child care, and transportation. House Bill 690 would make this predicament worse. The Department of Legislative Services estimated that a similar bill introduced last year would add a cumulative $1.5 billion to the general fund deficit over the next five years, plus more than $450 million in lost higher education and transportation revenues, including more than $50 million in lost highway user revenue for local governments. Once fully phased in, the annual cost was projected to exceed $720 million.[i]

House Bill 690 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, responsive government, 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.

House Bill 690 would also stifle opportunity and worsen structural barriers that hold back Marylanders of color. Education funding provides just one example. While lawmakers took positive steps to strengthen support for public schools – especially schools serving large numbers of low-income students – through the Blueprint for Maryland's Future in 2021, this promise is sustainable only if the state has sufficient revenue to back it up. Following the Great Recession, policymakers chipped away at education funding to close deficits, and by 2015, more than half of the state's Black students went to school in a district that was underfunded by 15% or more.[iii] We have already taken the first steps down this path, with long-term cuts to education funding enacted last year.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make an unfavorable report on House Bill 690.

Equity Impact Analysis: House Bill 690

Bill summary

House Bill 690 would cut Maryland's corporate income tax rate from 8.25% to 6.25% by 2030.

Background

Maryland's corporate income tax is projected to raise nearly $2.6 billion in FY 2026.[iv] A portion of revenue is distributed to the Higher Education Investment Fund and the Transportation Trust Fund, while the majority supports the general fund.

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 House Bill 690 poses significant equity concerns. As just one example, history shows that policymakers would likely cut education funding to close deficits. Following the Great Recession, policymakers chipped away at education funding to close deficits, and by 2015, more than half of the state's Black students went to school in a district that was underfunded by 15% or more.[v] We have already taken the first steps down this path, with long-term cuts to education funding enacted last year.

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 House Bill 690 would be widespread, the benefits would be highly concentrated.

Impact

House Bill 690 would likely **worsen racial and economic inequity** in Maryland.

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[i] Elizabeth Allison, Fiscal and Policy Note: House Bill 1101 of 2025, Department of Legislative Services, 2025, https://mgaleg.maryland.gov/2025RS/fnotes/bil_0001/hb1101.pdf

[ii] Andy Greiner, "39th Annual Corporate & 21st Annual Consultants Surveys: What Business Leaders and Consultants Are Saying about Site Selection,," *Area Development*, 2025, https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/q1-2025/39th-annual-corporate-21st-annual-consultants-surveys-what-business-leaders-and-consultants-are-saying-about-site-selection.shtml

[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] FY 2026 Fiscal Digest

[v] 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/

[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