



FEBRUARY 26, 2026

Maryland Should Not Double Down on Unbalanced Federal Tax Cuts

Position Statement in Support of House Bill 926

Given before the House Ways and Means Committee

Federal legislation passed in 2025 provided \$4.5 trillion in new tax breaks that overwhelmingly benefit ultra-wealthy individuals and large corporations. At the same time, the legislation is threatening essential food assistance and health care for thousands of Marylanders and straining the state budget. Absent legislative action, the law is expected to add \$588 million to the general fund deficit between FY 2026 and 2031. The Maryland Center on Economic Policy supports House Bill 926 because it would maintain Maryland's current \$10,000 cap on state and local tax (SALT) deductions and likely prevent millions in annual revenue loss.

While a fiscal and policy note is not available as of the time of writing, information from the Bureau of Revenue Estimates' 2025 60 Day Report suggests that House Bill 926 would likely save about \$150 million per year.ⁱ

Before the passage of HR 1, policymakers and state analysts were expecting Congress to make the 2017 law's \$10,000 cap permanent, which would have increased state revenue by \$300 million per year compared to prior law.ⁱⁱ

Here is what happened instead:

- Congress and the Trump administration increased the SALT cap by 300%.
- They created costly and unbalanced new tax breaks that automatically flow through to state law.
- And they weakened SNAP and Medicaid with harsh restrictions and needless red tape, which both increases hardship for Maryland families and increases the state's administrative costs.

As a result, the law is expected to cumulatively add \$588 million to Maryland's general fund deficit between FY 2026 and 2031, absent legislative action.ⁱⁱⁱ This is a cumulative loss of \$2.1 billion compared to state analysts' expectations. In short, Congress and President Trump pulled the rug out from under Maryland's budget and Maryland communities.

House Bill 926 would significantly mitigate these impacts, simply by maintaining the status quo.

The increased SALT cap primarily benefits well-off households:

- At the federal level, 21% of tax cuts attributable to the \$40,000 SALT cap in Maryland went to the wealthiest 5% of households, with annual income over \$395,000.^{iv}
- 73% of the federal SALT cuts in Maryland go to the wealthiest 20% of households, with annual income over \$182,000.

- At the state level, itemizers with Maryland adjusted gross income over \$250,000 accounted for only 3% of all filers, but they claimed 31% of all itemized deductions.^v

Strong evidence from credible research as well as from other states' experience tells us that asking the wealthiest individuals to contribute to the services we all rely on is consistent with a vibrant economy:

- The bulk of empirical research finds little link between state tax policy and where people want to live.^{vi} This is consistent with common sense: For most of us, factors like good jobs, affordable housing, great schools, pleasant weather, and being close to relatives are far more important than tax rates.
- Careful research shows that wealthy individuals relocate less often than other families, and that taxes aren't an economically important driver of where they settle down.^{vii} This, too, is little surprise: Uprooting your life to reduce your tax responsibilities may not be an attractive option if you have invested time and money in a good job, a business, or a comfortable home, or if you are embedded in your community's civic life.

Maryland's own experience is in line with this research. Despite a tumultuous economic landscape, Maryland's individual income tax has outperformed expectations since we asked more of wealthy individuals in 2025:^{viii}

- FY 2025 individual income tax revenues closed out \$264 million above the March estimate.
- From March to December 2025, the Board of Revenue Estimates revised the FY 2026 individual income tax estimate upward by a combined \$115 million.
- From September to December 2025, the Board of Revenue Estimates revised the FY 2027 individual income tax estimate upward by \$110 million.

Lawmakers this year face a stark choice. 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 enact further, deeper cuts into public services like education, child care, and transportation.

Simply by rejecting a new, unbalanced tax cut, House Bill 926 would save millions each year and protect the public services all Marylanders rely on.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 926.

Equity Impact Analysis: House Bill 926

Bill summary

House Bill 926 would maintain the state's current \$10,000 cap on state and local tax deductions rather than conforming to the temporary increase to \$40,000 for certain households under federal H.R. 1 of 2025.

Background

The Trump administration's signature 2017 tax overhaul established a \$10,000 cap on state and local tax deductions for individuals, which were previously unlimited. While this measure was largely intended to punish Democratic-leaning states that ask more of their wealthiest residents, it was one of the few provisions of that law that both federal and state revenue.

H.R. 1, the 2025 federal megabill, cut federal taxes for Maryland Households by about \$9.5 billion per year,^{ix} and under current law is expected to reduce state revenues by more than \$200 million across FY 2026 and 2027.^x Maintaining the \$10,000 SALT cap would have reduced the federal impact in Maryland by about \$500 million per year.

Equity Implications

House Bill 926 would likely make Maryland's tax code more equitable along lines of income, wealth, and race and ethnicity. Most Maryland households claim the standard deduction on their state taxes (81% in tax year 2024), meaning that they would see no change in taxes under House Bill 926. Meanwhile, high-income itemizers account for only 3% of tax filers, but claim nearly one-third of itemized deductions.

By their design, both provisions affected by the bill only benefit households that either own business equity or have capital gains income. Multiple intersecting areas of historical and continuing racist policy have made household income and wealth in the United States heavily lopsided, including housing wealth.

Furthermore, revenue gained by enacting House Bill 926 would protect public services that support broadly shared opportunity and enable struggling households to afford necessities, such as public schools, child care assistance, and Medicaid.

Impact

House Bill 926 would likely **improve racial and economic equity** in Maryland.

ⁱ MDCEP order-of-magnitude estimate based on *60 Day Report: One Big Beautiful Bill Act*, Comptroller of Maryland, 2025, https://mdbre.gov/BRE_reports/federalimpact/60-day-report-obbb.pdf

ⁱⁱ Discussed during 2025 Spending Affordability Committee briefing; briefly covered in DLS briefing report, https://dls.maryland.gov/pubs/prod/OperBgt/25_Spending_Affordability_Briefing.pdf#page=14

ⁱⁱⁱ 2025 Spending Affordability Briefing, https://dls.maryland.gov/pubs/prod/OperBgt/25_Spending_Affordability_Briefing.pdf#page=16

^{iv} Institute on Taxation and Economic Policy Microsimulation Tax Model, unpublished estimates, 2025

^v MDCEP analysis of Tax Year 2024 Income Tax Summary, Comptroller of Maryland, 2025, <https://www.marylandcomptroller.gov/content/dam/mdcomp/md/reports/annual/summary24.pdf>

^{vi} Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, 2014, <https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves>

^{vii} Cristobal Young, Charles Varner, Ithai Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," *American Sociological Review* 81(3), 2016, <https://web.stanford.edu/~cv10/public/Jun16ASRFeature.pdf>
See also Cristobal Young, *The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich*, Stanford: Stanford University Press, 2018

^{viii} FY 2025 Closeout Report, September 2025 BRE report, and December 2025 BRE report, with calculations by MDCEP.

<https://www.marylandcomptroller.gov/content/dam/mdcomp/md/reports/financial/fy2025-closeout.pdf>

https://mdbre.gov/BRE_reports/FY-2026/Board-Report-September-2025.pdf

https://mdbre.gov/BRE_reports/FY-2026/board-report-december-2025.pdf

^{ix} Steve Wamhoff, Carl Davis, Joe Hughes, and Jessica Vela, "Analysis of Tax Provisions in the Trump Megabill as Signed into Law: National and State Level Estimates," Institute on Taxation and Economic Policy, 2025, <https://itep.org/tax-provisions-in-trump-megabill-national-and-state-level-estimates/#statedata>

^x *60 Day Report*, 2025