

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor



YAAKOV "JAKE" WEISSMANN
Acting Secretary

MARC L. NICOLE
Deputy Secretary

TITLE: HB133 Income Tax and Sales and Use Tax - Rate Reductions and Alterations

DATE: February 5th 2026

COMMITTEE: Ways and Means

POSITION: Letter of Information

SUMMARY OF BILL: HB133 proposes radical changes to Maryland's primary revenue streams. The bill would replace the state's progressive individual income tax rate system (with tax rates ranging from 2% to 6.5% depending on the amount of income) with a flat 3% rate, slash the state's corporate income tax rate from 8.25% to 3%, and cut the state's general sales and use tax rate from 6% to 3%. Additionally, it would exempt several types of data and information technology services from the state's general sales tax.

EXPLANATION: The Department warns that HB133 would have a transformative impact on the state's current and future finances. While the bill currently does not have a fiscal note, the proposed tax reductions could reduce annual state revenue by billions of dollars, annually. There are no significant revenue offsets proposed in HB 133. As such, if enacted, the state would need to make unprecedented spending reductions, likely eliminating entire departments and reducing expenditures like education and health care to levels not seen in decades.

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. This mission is further complicated by significant federal uncertainty in both policy and budgetary areas, which requires the State to maintain a higher degree of fiscal resilience. The Department urges caution when passing legislation that significantly increases expenditures without commensurate reductions elsewhere. In light of the current fiscal crisis, the state government must be disciplined and strategic in its funding

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decisions to protect essential services. Any legislation that increases spending should include specific, identified, and sustainable funding offsets.

**For additional information, contact Dana Phillips at
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