

MARYLAND RETAILERS ALLIANCE

The Voice of Retailing in Maryland



HB133 Income Tax and Sales and Use Tax - Rate Reductions and Alterations Ways & Means Committee February 5, 2026

Position: Favorable

Background: HB133 would reduce the rates for various taxes collected in the state, including the corporate income tax and sales and use tax.

Comments: The Maryland Retailers Alliance supports HB133. This proposal, which would decrease the State corporate income tax from 8.25% to 3% and the sales and use tax from 6% to 3%, would positively impact Maryland's business community and increase the State's competitiveness in attracting new businesses.

The Tax Foundation, an independent tax policy nonprofit founded in 1937, consistently ranks Maryland in the bottom ten states for its business tax climate. The Foundation considers corporate income taxes, individual income taxes, sales tax rates, property tax rates, and unemployment taxes when compiling its annual State Business Tax Climate Index, and rated Maryland at number forty-sixth in the nation in its 2026 Index. Maryland's current corporate income tax rate is higher than our neighbors Virginia and West Virginia at 6% and 6.5% respectively, and Pennsylvania's rate of 7.49%. Lowering our tax rate to below of these neighbors will allow us to remain competitive in attracting businesses and encouraging growth. Similarly, reducing the sales and use tax to 3% would increase Maryland's competitiveness with neighbors Virginia and Delaware, who currently have sales tax rates of 5.77% and 0% respectively.

For these reasons, we would urge a favorable report on HB133. Thank you for your consideration.