

March 28, 2025

The Hon. Helene Grady  
Department of Budget & Management 40 Calvert Street  
Annapolis, MD 21401

Victoria L. Gruber Executive Director  
Department of Legislative Services  
Annapolis, Maryland 21401

**Re: Bureau of Revenue Estimates Analysis of SB 321 / HB 352, The Budget Reconciliation and Financing Act**

Dear Secretary Grady and Executive Director Gruber:

I am writing to share the analysis by the Bureau of Revenue Estimates (BRE) of the personal income tax changes included in the amended version of the Budget Reconciliation and Financing Act of 2025 as passed by the House of Delegates.

The BRE serves as both economic staff for the Comptroller of Maryland and staff for the Board of Revenue Estimates. Per statute, the BRE is housed under the Revenue Operations and Accounting Department, which I oversee. As staff for the Office of the Comptroller, the BRE is responsible for scoring revenue proposals.

This estimate will be transmitted to the Department of Legislative Services (DLS). DLS will give a final score to these bills, as they do for all revenue bills.

Thank you for the opportunity to share the BRE's analysis. As always, we welcome the opportunity to answer any questions you might have.

Sincerely,



Andrew "Andy" Schaufele  
Chief Deputy Comptroller of Maryland

cc: Brooke E. Lierman, Comptroller of Maryland  
Fagan Harris, Office of Governor Wes Moore  
Eric Luedtke, Office of Governor Wes Moore



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The Hon. Helene Grady  
Secretary of Budget and Management  
Department of Budget and Management  
Annapolis, Maryland 21401

Victoria L. Gruber  
Executive Director  
Department of Legislative Services  
Annapolis, Maryland 21401

Dear Secretary Grady and Executive Director Gruber:

In response to requests from elected officials and staff from State and county agencies, the Bureau of Revenue Estimates published in February 2025 an analysis of changes to the personal income tax proposed by SB 321/HB 352 (The Budget Reconciliation and Financing Act of 2025). The Bureau is publishing an updated analysis that reflects amendments made to HB 352.

The current proposal will increase by one-fifth the value of the standard deductions, whereas the original proposal would have doubled the values. While the original proposal eliminated itemized deductions for all taxpayers, the current proposal phases out itemized deductions for taxpayers with federal adjusted gross income in excess of \$200,000 (\$100,000 if married filing separately). The amended proposal keeps all income tax brackets the same as under current law but it establishes two new brackets for higher-income taxpayers with a maximum income tax rate of 6.5% for taxpayers with incomes over \$1 million (\$1.2 million for joint returns). The Bureau's estimate of the proposed changes to the child tax credit is unchanged from its original analysis. Lastly, the amended proposal increases to 2% the surcharge on capital gains income for those taxpayers with federal adjusted gross income of greater than \$350,000. In combination with the BRFA's proposed increase in the maximum local income tax rate, the maximum State and local income tax imposed on high income taxpayers with capital gains income will be 11.8% if and when local government(s) exercise the increased authority.



The first part of this analysis shows the tax incidence of the proposed changes to income tax rates and deductions. This analysis is based on a microsimulation of tax year 2023 resident returns. Most taxpayers, about 6 in 10, will have a modest decrease (average of \$43) and a little more than one-third will have no change in liability. Taxpayers who will pay more (5.7% of all returns) will have a larger (average of \$1,849) tax increase. In general, the proposal will reduce tax liabilities for most lower-income taxpayers and increase liabilities for higher-income taxpayers, particularly for taxpayers with the most income.

The second part shows by county the fiscal impact of the rates and deduction changes, capital gains surcharge, and proposed expansion of the child tax credit. In aggregate, we estimate that in tax year 2023 net State income tax revenues would have increased by about \$483.5 million, a 4.3% increase. The capital gains surcharge generates about \$250.6 million of this revenue gain with a net increase of \$232.9 million from changes to income tax rates, deductions, and child tax credit.

It should be noted that the proposal on net shifts tax burdens to a smaller number of high-income taxpayers who have a greater share of volatile nonwage income. Accordingly, State income tax revenues will increase more in good years and grow more slowly or decline by a greater amount in recessions and/or stock market corrections. As such, the revenue gains from the proposed changes likely will vary from year-to-year. In addition, we are in very uncertain economic circumstances given the ongoing changes to federal government spending and employment.

I would like to thank the hard work of the BRE team that made this analysis possible with a special acknowledgement to Natalia Medynets, Ben Uy, and Jennifer Brezler, as well as Chief Deputy Comptroller Andy Schaufele.

Please do not hesitate to contact me if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert J. Rehrmann", with a long horizontal flourish extending to the right.

Robert J. Rehrmann

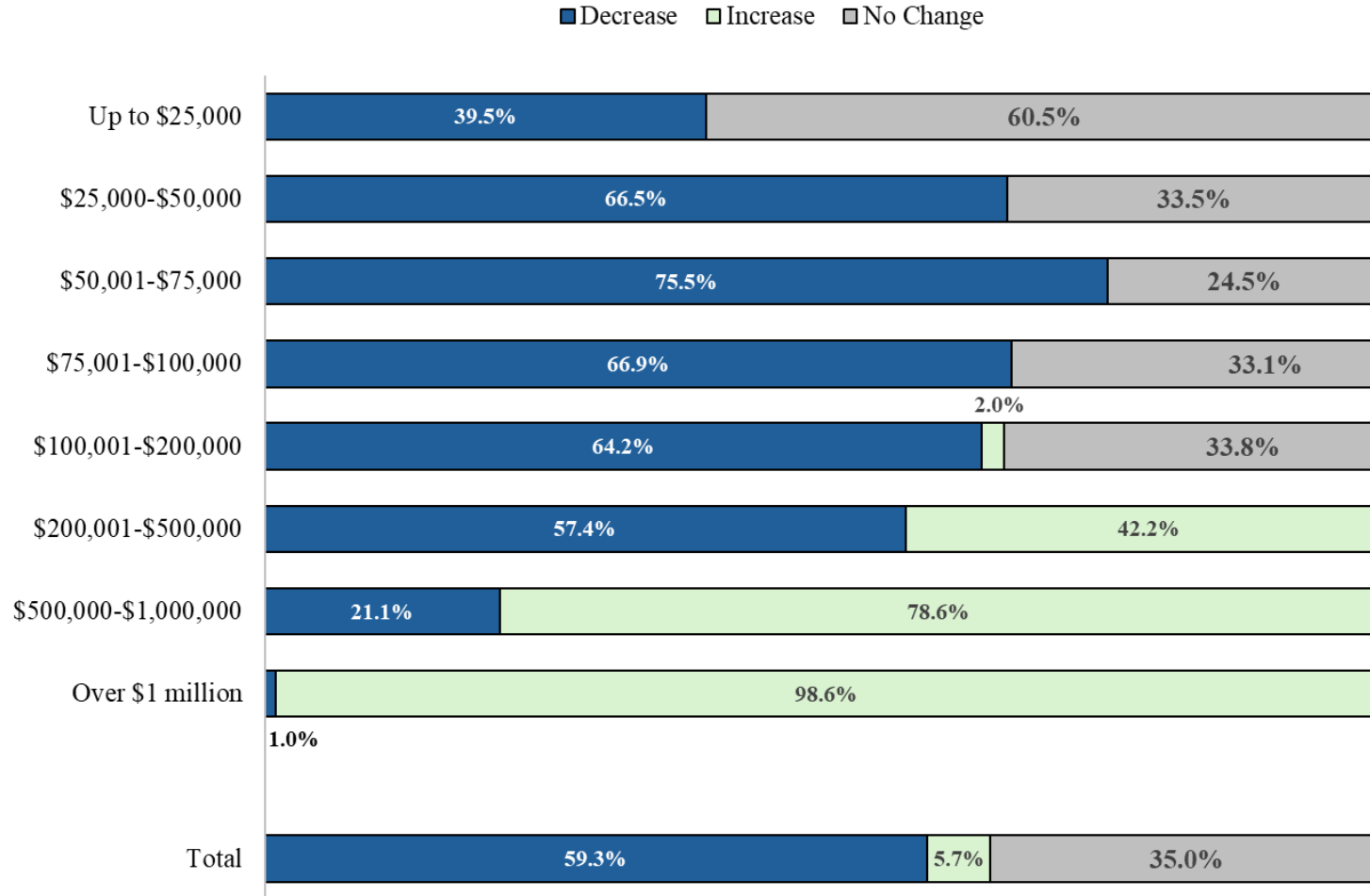
cc: Brooke E. Lierman, Comptroller of Maryland  
Andrew Schaufele, Chief Deputy Comptroller

# Rate and Deduction Proposals

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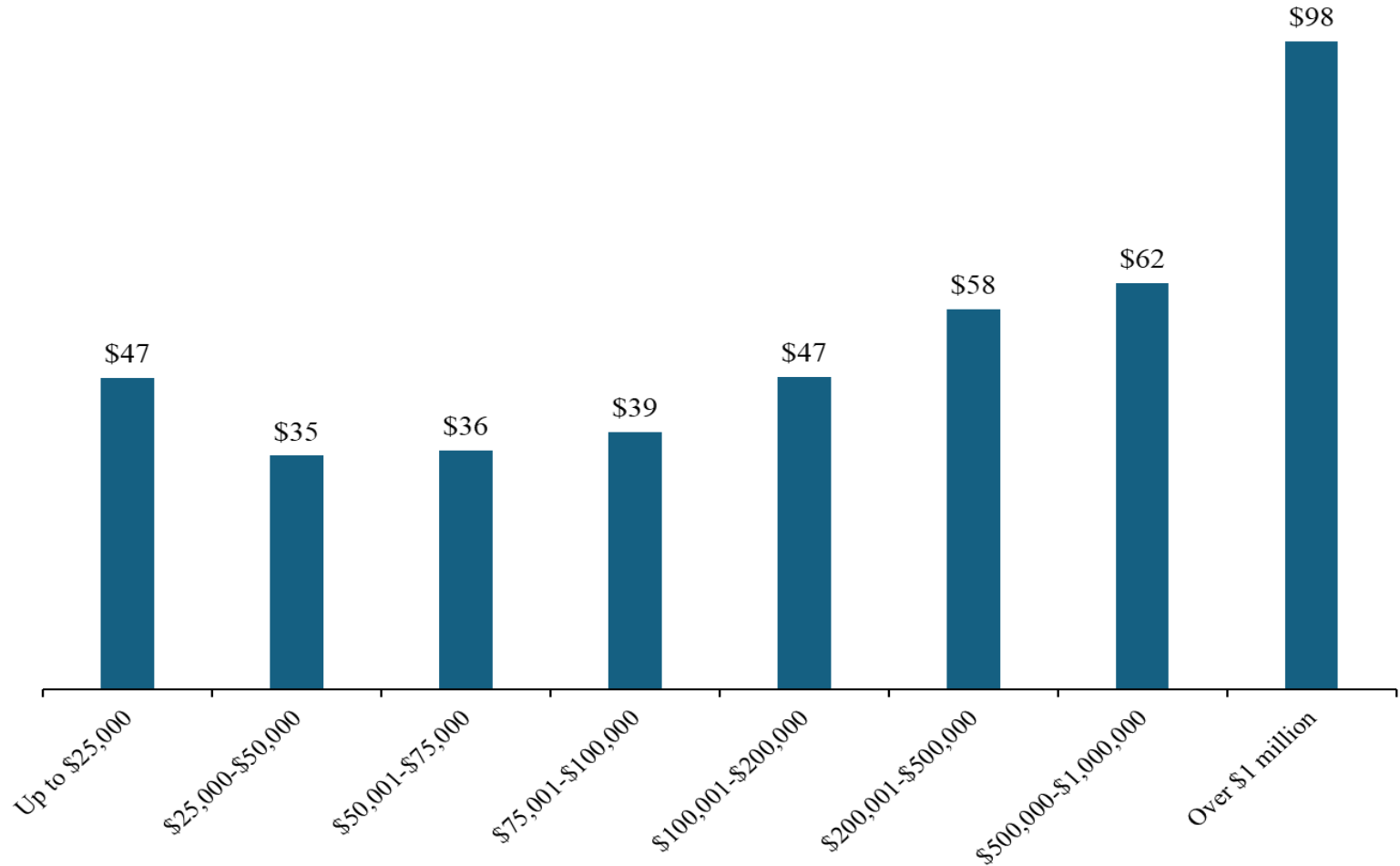
The charts and maps below show the estimated impact of the proposed changes to income tax rates and deductions.

## Change in Tax Year 2023 State Income Tax Liability by Federal Adjusted Gross Income



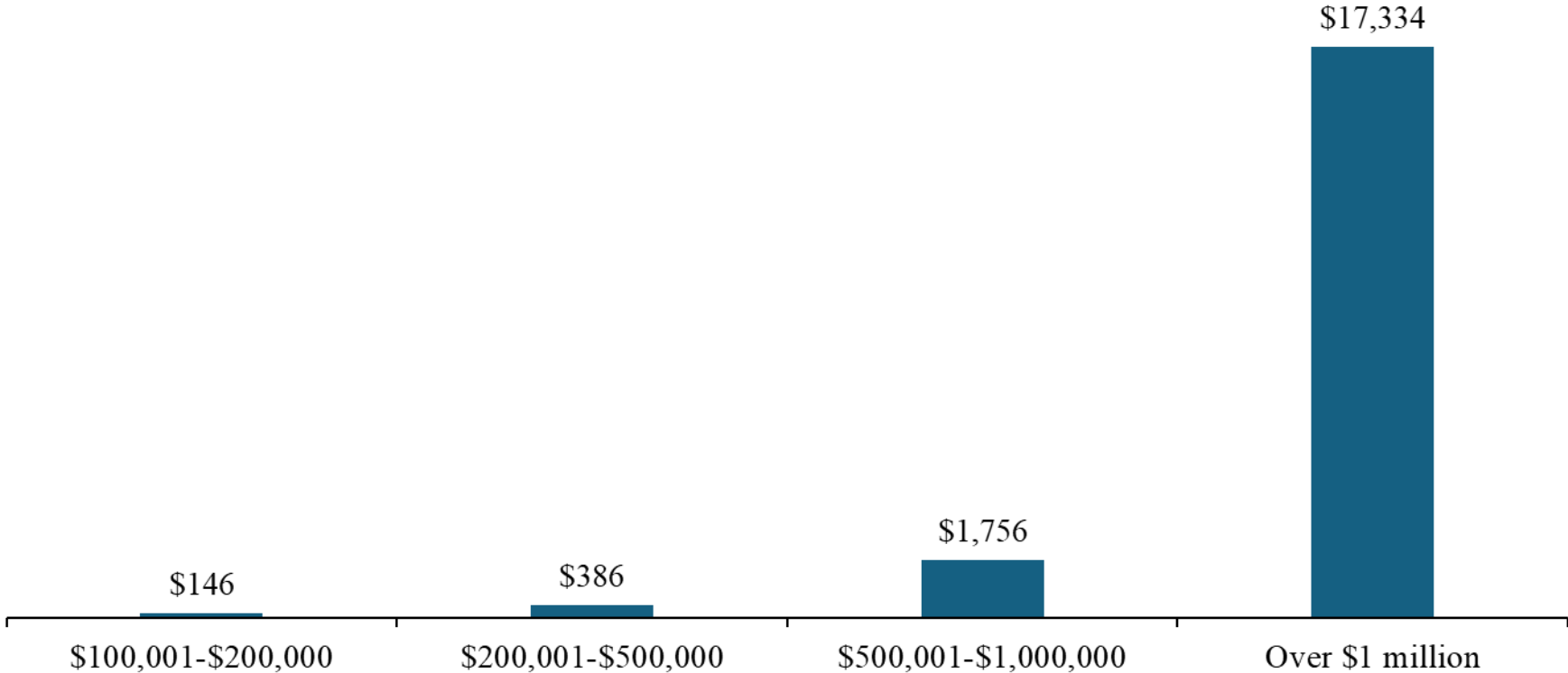
Note: These impacts represent the proposed changes in income tax rates and deductions.  
 Source: Bureau of Revenue Estimates

**Average State Tax Decrease  
Taxpayers with a Decrease in Liabilities  
by Federal Adjusted Gross Income**



Note: These impacts represent the proposed changes in income tax rates and deductions.  
Source: Bureau of Revenue Estimates

**Average State Tax Increase  
Taxpayers with an Increase in Liabilities  
by Federal Adjusted Gross Income**



Note: These impacts represent the proposed changes in income tax rates and deductions.  
Source: Bureau of Revenue Estimates

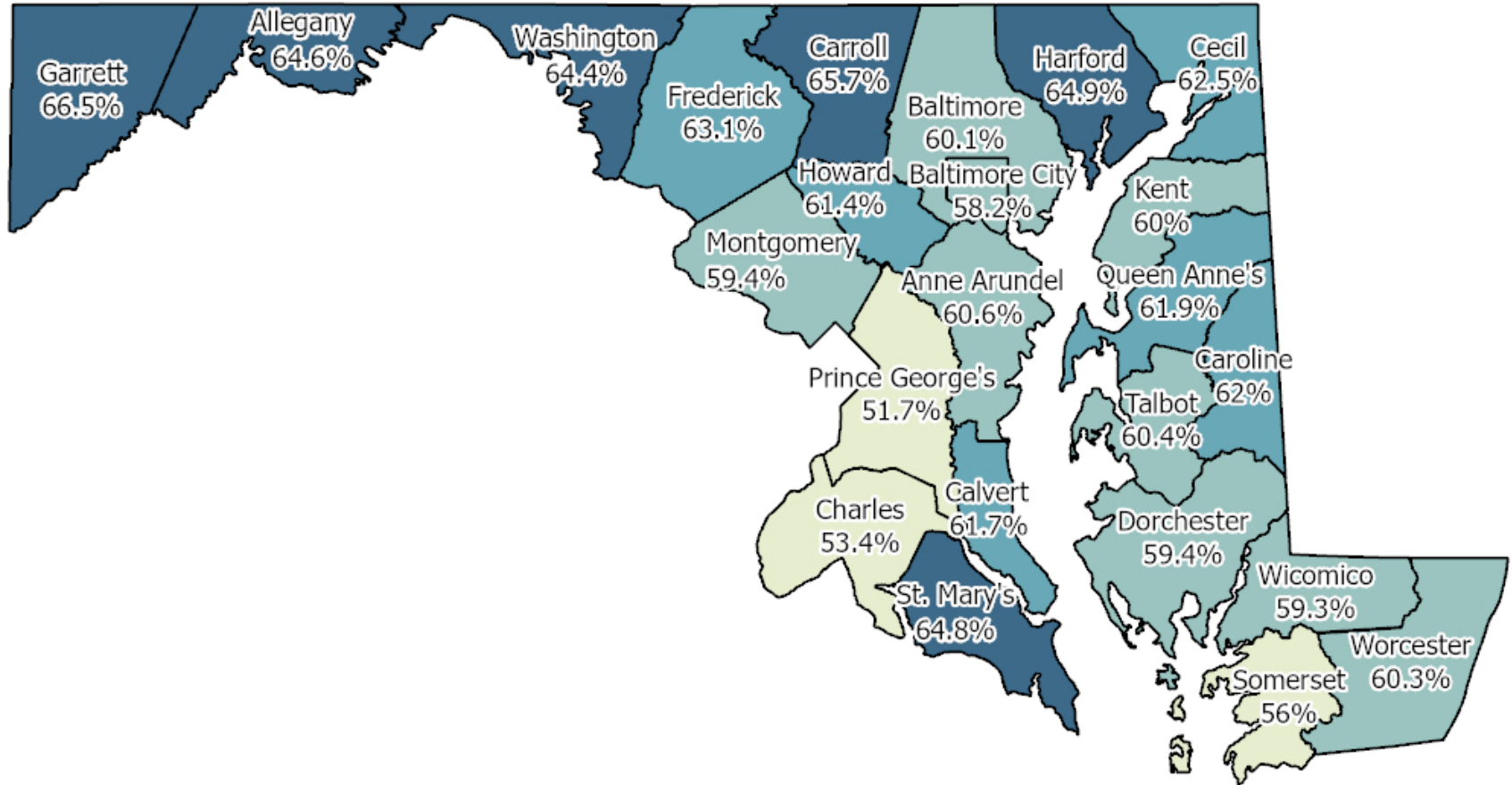
**Change in Tax Year 2023 State Income Liabilities by Federal Adjusted Gross Income  
Taxpayers with a Decrease, Increase, and No Change  
Income Tax Bracket and Itemized Deduction Proposals**

FAGI	Decrease			Increase			No Change		Total	
	Returns	Net Change (\$ Millions)	Average	Returns	Net Change (\$ in Millions)	Average	Returns	Net Change	Returns	Net Change (\$ in Millions)
Up to \$25,000	278,822	(\$13.1)	(\$47)	*	*	*	426,730	-	705,552	(\$13.1)
\$25,001-\$50,000	386,642	(\$13.7)	(35)	*	*	*	195,145	-	581,787	(\$13.7)
\$50,001-\$75,000	325,701	(\$11.8)	(36)	*	*	*	105,874	-	431,575	(\$11.8)
\$75,001-\$100,000	206,487	(\$8.0)	(39)	*	*	*	102,072	-	308,559	(\$8.0)
\$100,001-\$200,000	391,965	(\$18.5)	(47)	12,226	\$1.8	\$146	206,613	-	610,804	(\$16.7)
\$200,001-\$500,000	161,284	(\$9.3)	(58)	118,606	45.8	386	969	-	280,859	\$36.5
\$500,001-\$1,000,000	6,947	(\$0.4)	(62)	25,925	45.5	1,756	121	-	32,993	\$45.1
Over \$1 million	129	(\$0.01)	(98)	12,701	220.2	17,334	50	-	12,880	\$220.1
<b>Total</b>	<b>1,757,977</b>	<b>(\$74.9)</b>	<b>(\$43)</b>	<b>169,458</b>	<b>\$313.3</b>	<b>\$1,849</b>	<b>1,037,574</b>	<b>-</b>	<b>2,965,009</b>	<b>\$238.4</b>

Note: Less than 35 combined returns are excluded from income classes and totals due to disclosure requirements.  
Source: Bureau of Revenue Estimates

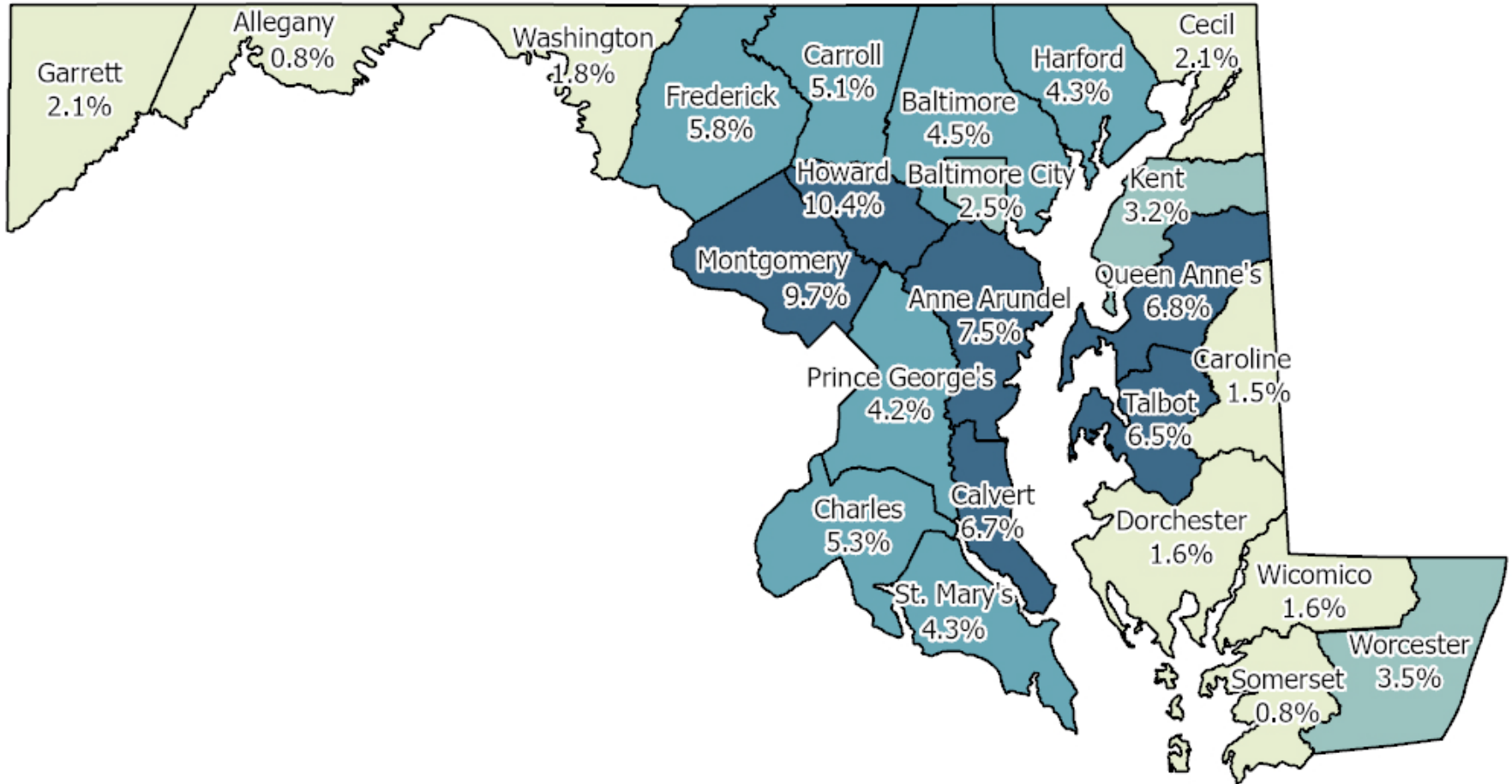


## Share of Tax Returns with a Decrease in State Taxes Tax Year 2023



Note: These impacts represent the proposed changes in income tax rates and deductions.  
Source: Bureau of Revenue Estimates

## Share of Tax Returns with an Increase in State Taxes Tax Year 2023



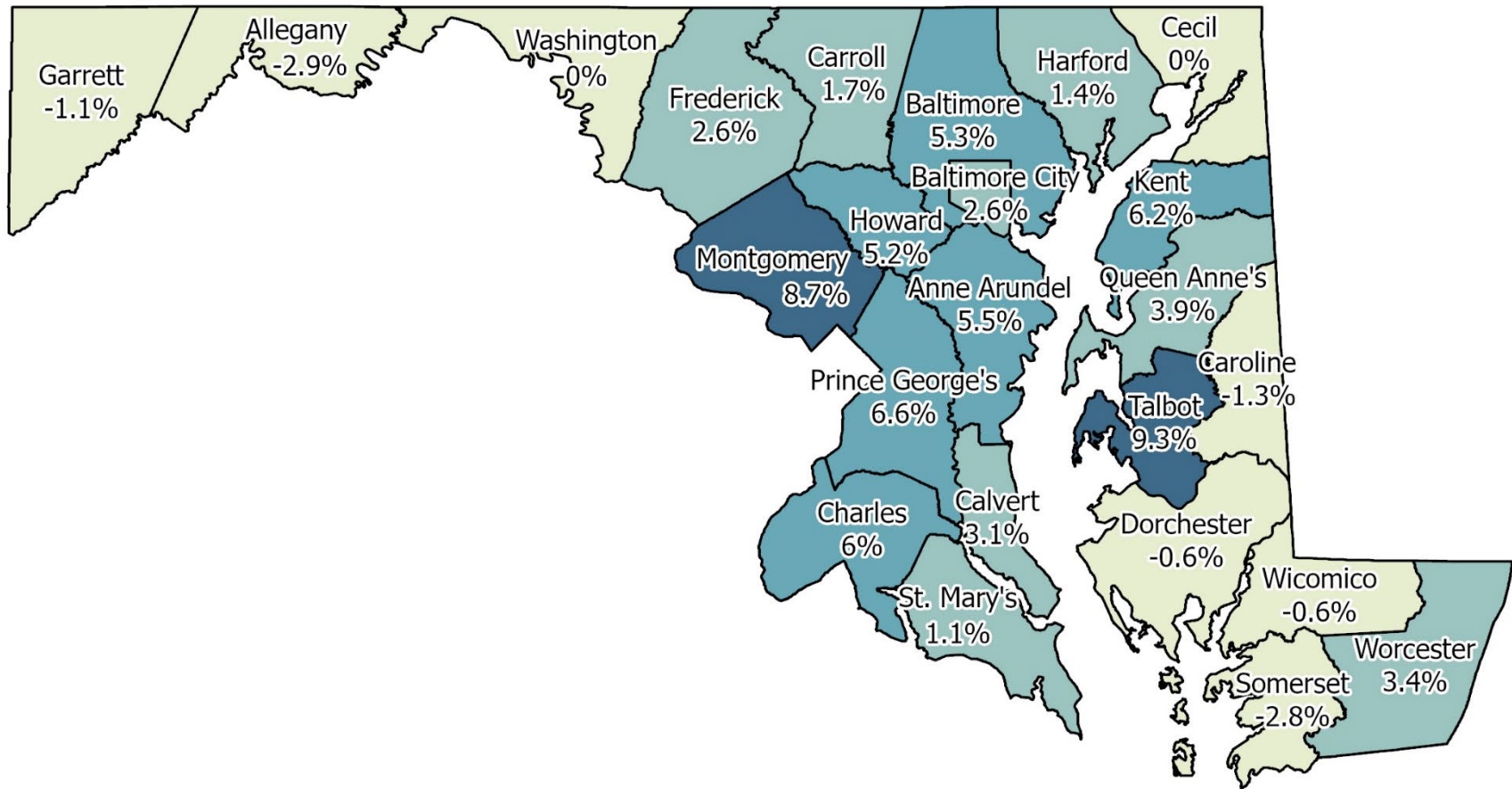
Note: These impacts represent the proposed changes in income tax rates and deductions.  
 Source: Bureau of Revenue Estimates

# Combined Impact of Proposals

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The charts show by county the percentage change in State taxes due to the combined impacts of the proposed changes to income tax rates, deductions, capital gains, and child tax credit under the BRFA (1) as introduced; and (2) as amended.

## Percentage Increase in State Income Taxes by County BRFA – As Introduced



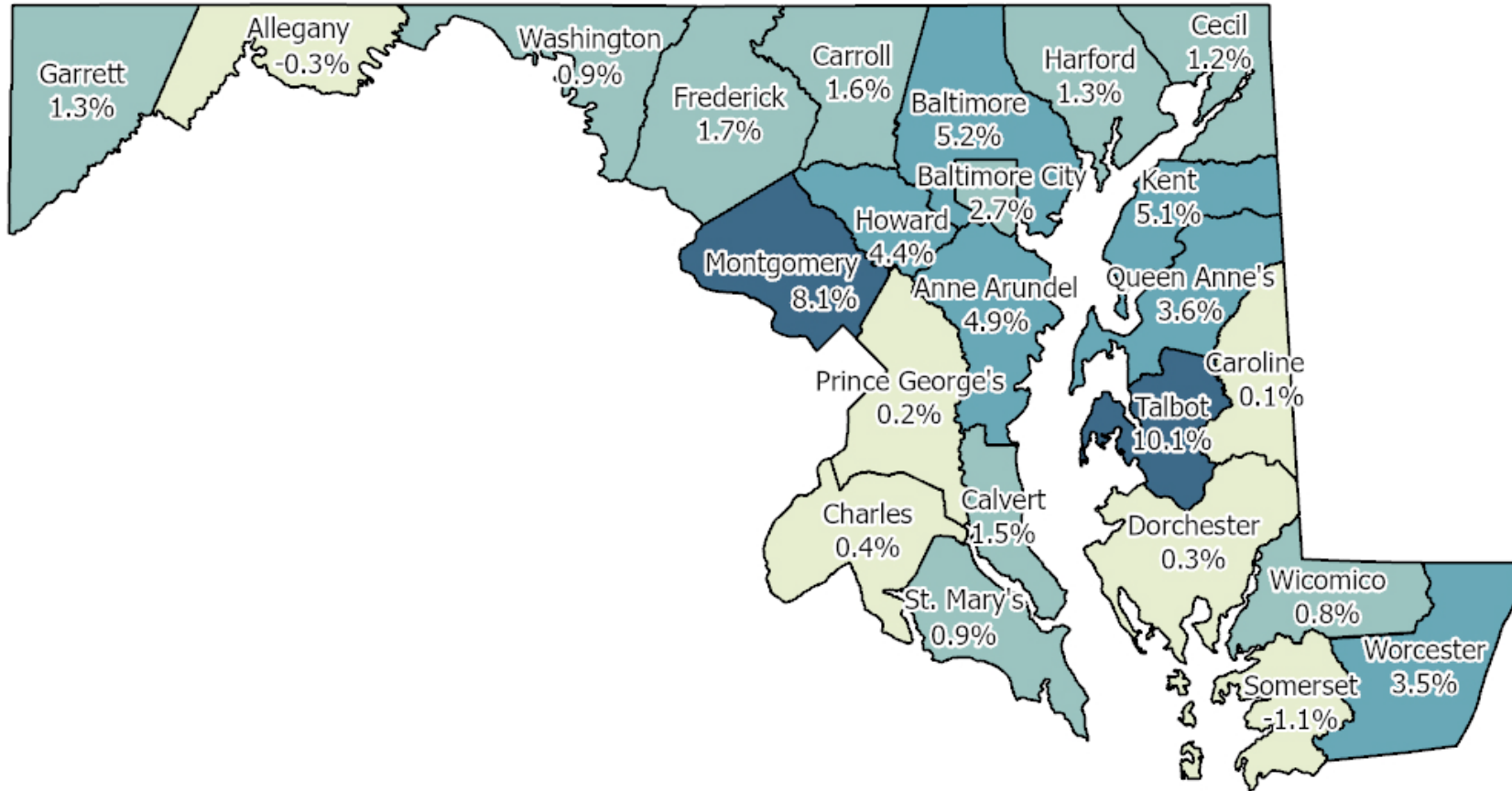
Notes: The percentage change is the net increase or decrease in State income taxes paid by residents in each county.

The increase in Washington and Cecil Counties is 0.02%.

These impacts represent the proposed changes in income tax rates, deductions, capital gains surtax, and the child tax credit.

Source: Bureau of Revenue Estimates

## Percentage Increase in State Income Taxes by County BRFA – As Amended



Notes: The percentage change is the net increase or decrease in State income taxes paid by residents in each county.

These impacts represent the proposed changes in income tax rates, deductions, capital gains surtax, and the child tax credit.

Source: Bureau of Revenue Estimates

# County Impacts

The chart below has consolidated information showing the State and local revenue impact for each county following the proposed changes to income tax rates and deductions, capital gains, and the child tax credit.

## State and Local Revenue Impact Tax Year 2023 (\$ in Millions)

County	Change in State Taxes					Change in Local Taxes
	Rates/Deductions	Capital Gains	Child Tax Credit Net	% Change		
ALLEGANY	(\$0.5)	\$0.4	(\$0.1)	(\$0.1)	-0.3%	(\$0.4)
ANNE ARUNDEL	27.4	36.5	(0.3)	63.6	4.9%	3.5
BALTIMORE CITY	5.6	11.6	(0.9)	16.3	2.7%	(0.9)
BALTIMORE	34.5	41.6	(0.9)	75.2	5.2%	2.1
CALVERT	1.3	1.4	(0.03)	2.7	1.5%	(0.1)
CAROLINE	(0.2)	0.2	(0.04)	0.0	0.1%	(0.2)
CARROLL	2.5	3.1	(0.04)	5.6	1.6%	(0.4)
CECIL	0.7	0.8	(0.1)	1.4	1.2%	(0.5)
CHARLES	0.1	1.1	(0.1)	1.1	0.4%	(0.4)
DORCHESTER	(0.1)	0.2	(0.04)	0.1	0.3%	(0.2)
FREDERICK	4.3	5.2	(0.1)	9.3	1.7%	(0.3)
GARRETT	0.1	0.3	(0.02)	0.4	1.3%	(0.1)
HARFORD	3.3	2.7	(0.1)	5.8	1.3%	(0.8)
HOWARD	22.1	17.9	(0.2)	39.8	4.4%	3.6
KENT	0.7	0.6	(0.01)	1.4	5.1%	0.04
MONTGOMERY	127.7	112.1	(1.0)	238.8	8.1%	21.4
PRINCE GEORGES	0.1	3.4	(1.3)	2.1	0.2%	(2.6)
QUEEN ANNES	2.9	1.3	(0.02)	4.2	3.6%	0.2
SAINT MARYS	0.7	1.1	(0.1)	1.8	0.9%	(0.5)
SOMERSET	(0.1)	0.03	(0.03)	(0.2)	-1.1%	(0.1)
TALBOT	3.9	4.8	(0.03)	8.7	10.1%	0.4
WASHINGTON	0.2	1.7	(0.1)	1.7	0.9%	(0.8)
WICOMICO	(0.04)	1.0	(0.1)	0.8	0.8%	(0.6)
WORCESTER	1.5	1.5	(0.04)	3.0	3.5%	(0.1)
<b>Total</b>	<b>\$238.6</b>	<b>\$250.6</b>	<b>-\$5.7</b>	<b>\$483.5</b>	<b>4.3%</b>	<b>\$22.0</b>

Source: Bureau of Revenue Estimates