

Revenue Estimates and Economic Outlook

September 25, 2025

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Executive Secretary

Board of Revenue Estimates

Maryland General Fund Revenues
Fiscal Years 2025 - 2027
(\$ in thousands)

	FY 2025			FY 2026				FY 2027	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual	14,301,498	14,565,248	263,750	15,306,239	15,342,329	36,090	5.3%	15,679,126	2.2%
Corporations	1,923,632	1,876,709	(46,923)	1,937,968	1,791,400	(146,569)	-4.5%	1,747,904	-2.4%
Total	16,225,130	16,441,957	216,827	17,244,207	17,133,729	(110,479)	4.2%	17,427,030	1.7%
SALES AND USE TAXES	5,976,155	6,048,565	72,410	6,673,955	6,639,208	(34,747)	9.8%	6,948,990	4.7%
STATE LOTTERY RECEIPTS	522,944	518,990	(3,954)	521,029	531,852	10,823	2.5%	475,238	-10.6%
OTHER REVENUES									
Business Franchise Taxes	280,769	306,208	25,439	285,222	285,637	415	-6.7%	290,666	1.8%
Insurance Premium Tax	749,039	789,799	40,760	737,345	795,980	58,635	0.8%	792,151	-0.5%
Estate & Inheritance Taxes	217,016	227,265	10,248	232,404	236,732	4,328	4.2%	247,960	4.7%
Tobacco Taxes	363,385	369,956	6,571	293,071	273,398	(19,674)	-26.1%	262,399	-4.0%
Alcoholic Beverages Excises	34,455	39,202	4,747	34,284	39,555	5,272	0.9%	39,909	0.9%
District Courts	35,602	38,873	3,271	34,027	37,861	3,834	-2.6%	36,931	-2.5%
Clerks of Court	27,193	28,115	922	28,006	27,166	(840)	-3.4%	27,690	1.9%
Hospital Patient Recoveries	84,259	91,972	7,713	76,935	80,935	4,000	-12.0%	80,935	0.0%
Interest on Investments	335,000	358,663	23,663	155,000	155,000	-	-56.8%	70,000	-54.8%
Miscellaneous	344,082	456,121	112,039	318,898	383,815	64,918	-15.9%	375,196	-2.2%
Sports Wagering	-	-	-	31,811	26,262	(5,549)		27,691	5.4%
Total	2,470,800	2,706,172	235,372	2,227,003	2,342,341	115,337	-13.4%	2,251,527	-3.9%
TOTAL CURRENT REVENUES	25,195,029	25,715,684	520,656	26,666,195	26,647,129	(19,066)	3.6%	27,102,784	1.7%
Extraordinary Revenues	-	-	-	-	-	-		-	
Transfer Tax	-	-	-	25,000	25,000	-		25,000	0.0%
Revenue Volatility Cap	-	-	-	-	-	-		-	
GRAND TOTAL²	25,195,029	25,715,684	520,656	26,691,195	26,672,129	(19,066)	3.7%	27,127,784	1.7%

¹ The 2025 Legislative Session resulted in an additional \$50.1 million in estimated revenues beyond the March 2025 official estimate; this table has been adjusted accordingly

² In FY 2025, \$382.3 million was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.

Summary of September Changes

Revenue Source	Fiscal Year 2025		Fiscal Year 2026		Fiscal Year 2027
	Actual		Forecast		Forecast
	\$ Difference From Estimate	% Growth	\$ Change From Estimate	% Growth	% Growth
Personal Income Tax	\$263.7	7.0%	\$36.1	5.3%	2.2%
Corporate Income Tax	(\$46.9)	-1.4%	(\$146.6)	-4.5%	-2.4%
Sales Tax	\$72.4	2.6%	(\$34.7)	9.8%	4.7%
Other	\$231.4	-2.1%	\$126.2	-10.9%	-5.1%
Total- Ongoing Revenues	\$520.7	4.1%	(\$19.1)	3.6%	1.7%

Notes: dollars in millions; amounts may not sum from rounding

What Has Changed Since March Estimate

- FY 2025 revenues were above expectations
 - Better than expected capital gains for tax year 2024
 - Volatile from year-to-year
 - Other revenues not connected to the economy over-attained
 - Withholding and sales tax did not fall below the estimate
- Federal and State tax law changes have a large impact on the forecast
 - 2025 Budget Reconciliation and Financing Act (State)
 - One Big Beautiful Bill (Federal)
- Revenues have outperformed relative to the economic data
 - Given recent slowing in labor market and significant loss of high-paying federal jobs our forecast expects conditions to weaken through calendar 2026
- Two tax law changes plus significant shifts in federal policies create multiple vectors of uncertainty



2025 State Tax Legislation

- 2025 Session tax and revenue legislation is estimated to increase ongoing revenues by about \$1.3 billion annually beginning in FY 2026
- Personal income tax changes
 - Modest increase in standard deduction
 - Limitation of itemized deductions that applies to taxpayers with income greater than \$200,000 (\$100,000 if married filing separately)
 - Capital gains surcharge of 2%, with a portion dedicated to transportation funding
 - New tax rates and brackets and including an increase in the top marginal rate from 5.75% to 6.5%
- Increased sales tax revenues including an expansion to data and information technology services
 - New or expanded taxes are often difficult to estimate initially
- The March Board forecast was adjusted to reflect the revenue impact of these State tax law changes



Federal Tax Legislation – Overview

- One Big Beautiful Bill (OB3) permanently extends temporary federal income tax reductions for individuals enacted by Tax Cuts and Jobs Act (TCJA)
 - Increases SALT deduction to \$40,000 in tax years 2025 through 2029
 - Value phases down beginning at \$500,000 for most taxpayers
 - PIT revenues decrease modestly in FY 2026 but increase in the out-years as the Board forecast assumed TCJA's expiration
- OB3 modifies key federal corporate income tax provisions and creates new benefits
 - State temporarily decouples from three business income tax provisions
 - State corporate income tax revenues decrease in the near term due to an acceleration of deductions



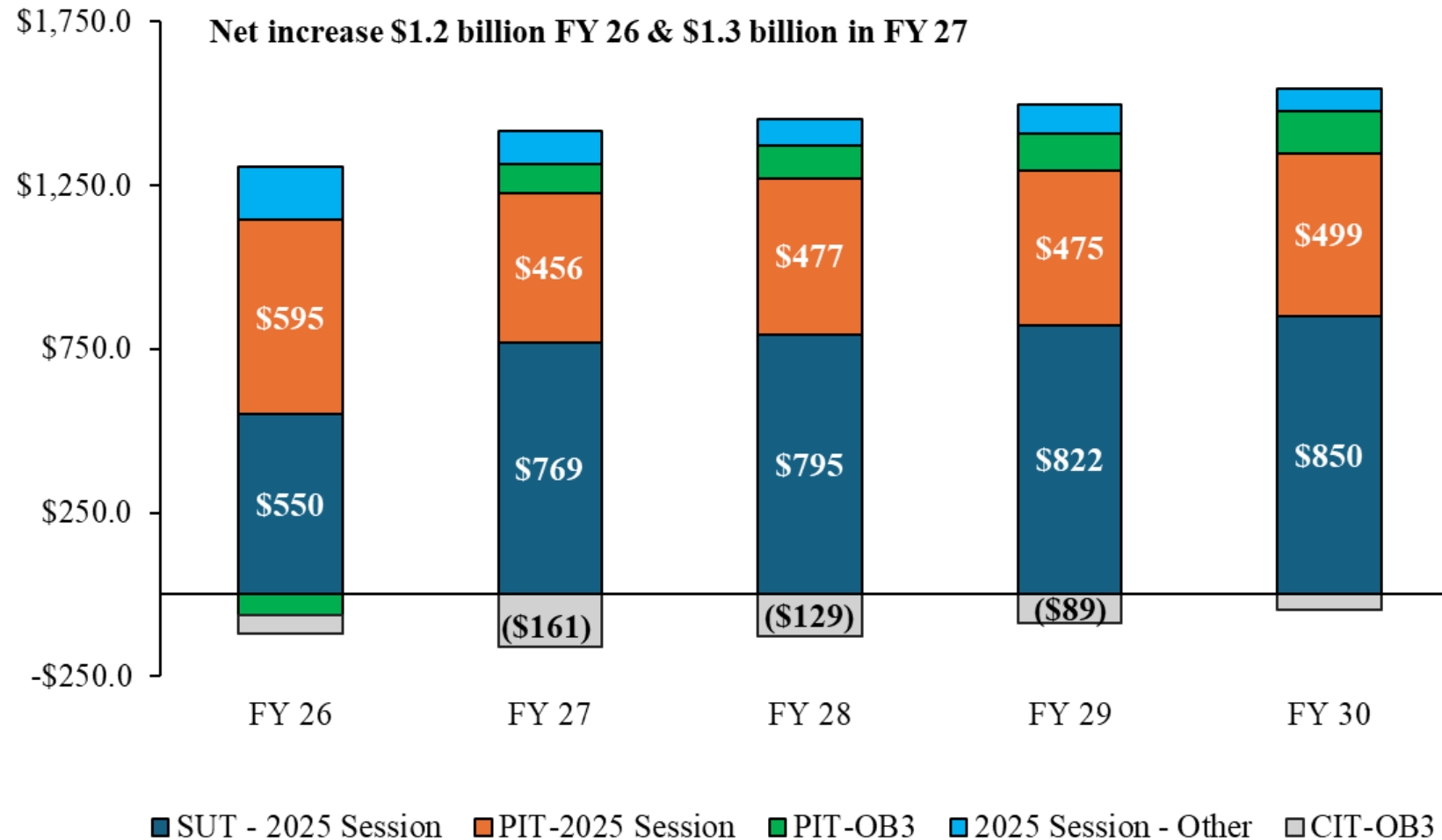
Federal Tax Legislation – GF Impacts

\$ in Millions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Corporate Income Tax	(\$56.9)	(\$161.0)	(\$129.0)	(\$88.6)	(\$48.7)	(\$19.9)
Personal Income Tax	(61.0)	89.5	99.3	110.3	128.9	151.9
OB3 Impact	(\$117.9)	(\$71.4)	(\$29.7)	\$21.8	\$80.2	\$132.1

- Legislation was enacted after the March Board estimate and is incorporated for the first time in the proposed September forecast
 - The September forecast would have been a writeup
- Full details can be found in the “60-Day Report” Analysis on the Comptroller’s Office and Board of Revenue Estimates websites

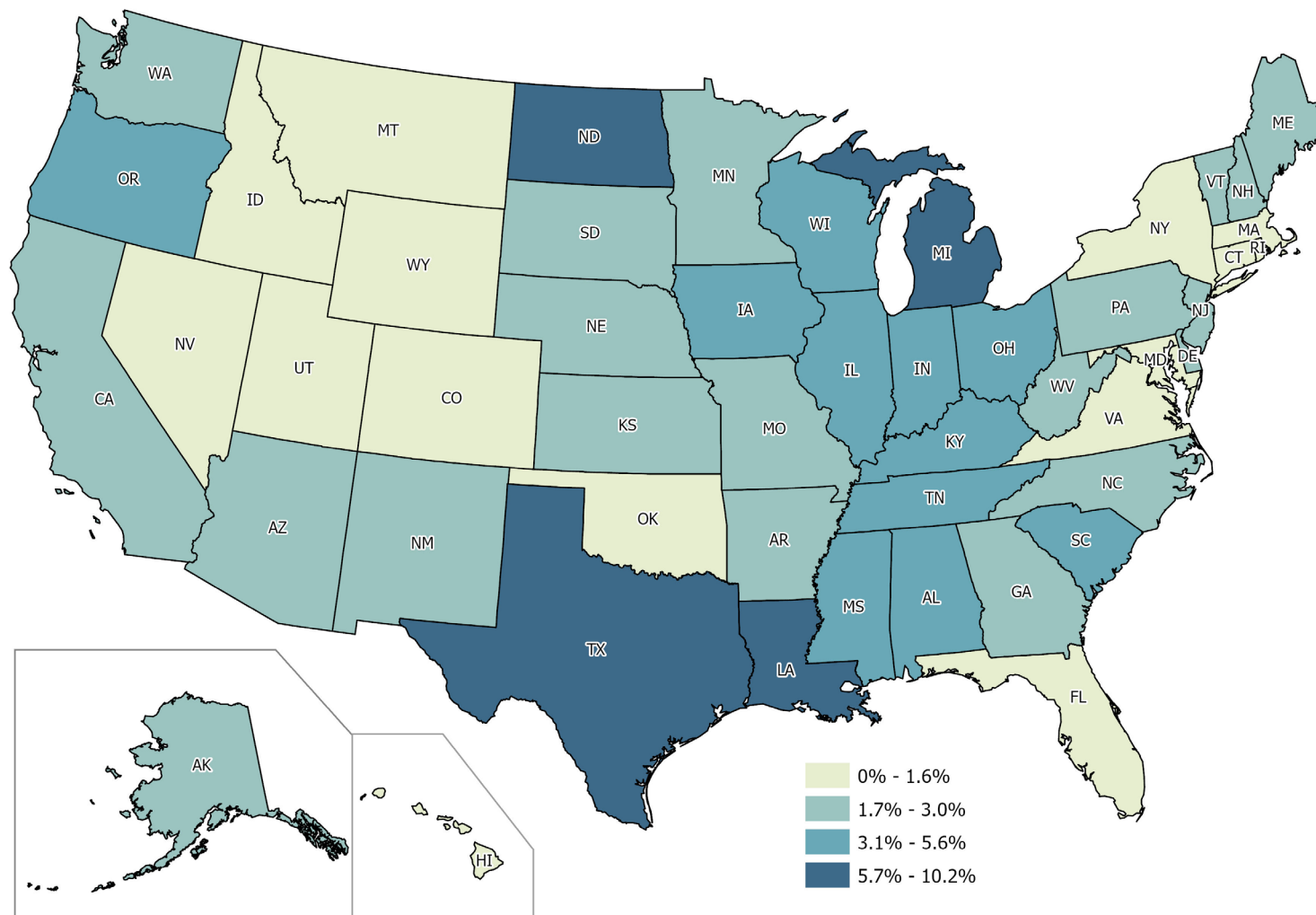
Estimated Impact of Tax Law Changes

FY 2026 – FY 2030



Maryland has Low Direct Exposure to Tariffs

Exports to China, Canada, and Mexico – % of State GDP (2023)

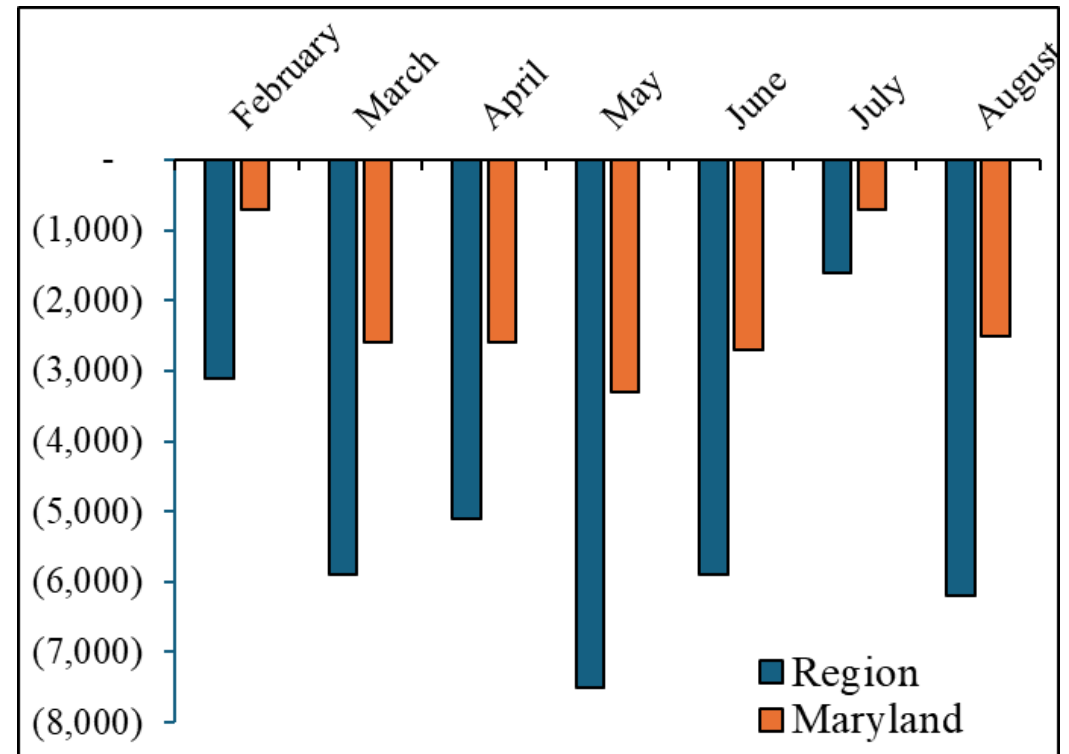


Federal Job Losses are Concentrated in the Region

Cumulative Employment Losses

Federal Employment Losses				
Region	January	August	Cumulative Difference	% Difference
Maryland	163,100	148,000	-15,100	-9.3%
DC	192,800	184,100	-8,700	-4.5%
Virginia	196,700	185,200	-11,500	-5.8%
Region	552,600	517,300	-35,300	-6.4%
US	3,015,000	2,918,000	-97,000	-3.2%

Monthly Employment Losses



Federal Employment Losses

- Federal employment has decreased in Maryland by at least 2,500 in five of the last six months
- Maryland accounts for one out of every six job losses
 - Job losses do not reflect Deferred Resignation Program which generally pays employees through September 30, 2025
 - According to OPM there will be a reduction of 300,000 federal jobs in all of calendar 2025
 - Those that did not secure employment will face a challenging labor market
 - Average federal wage in Maryland is higher than the average private sector job
- DoD employment has fallen by about 10,000 jobs in total, but national reductions have been concentrated in civilian agencies



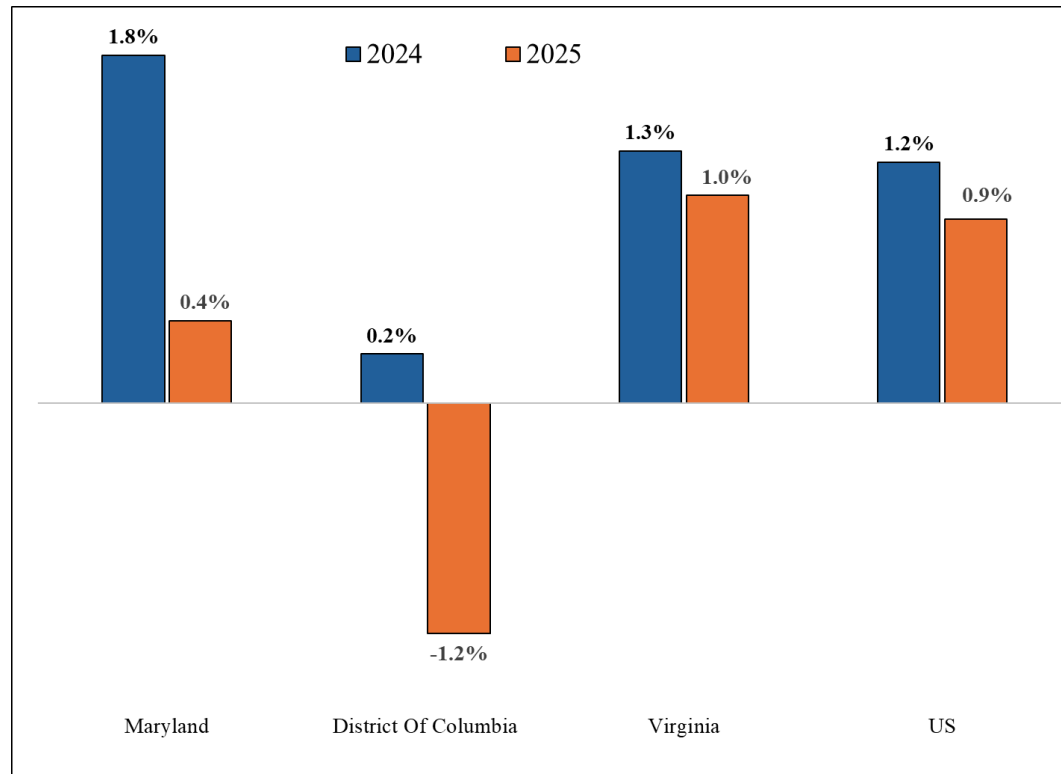
US and Maryland Labor Market

- US labor market growth has slowed – “low hiring and low firing”
 - Maryland growth is slowing but was recently revised upwards for calendar 2024 and earlier
- UI claims and layoff data has not increased significantly
- Maryland has heightened risks but less direct exposure to tariff uncertainty
 - National slowing will filter down to Maryland
 - Tariffs will eventually impact consumers and businesses
- Change in federal policies may impact Maryland labor market



State and Metro Area Employment Growth Has Slowed

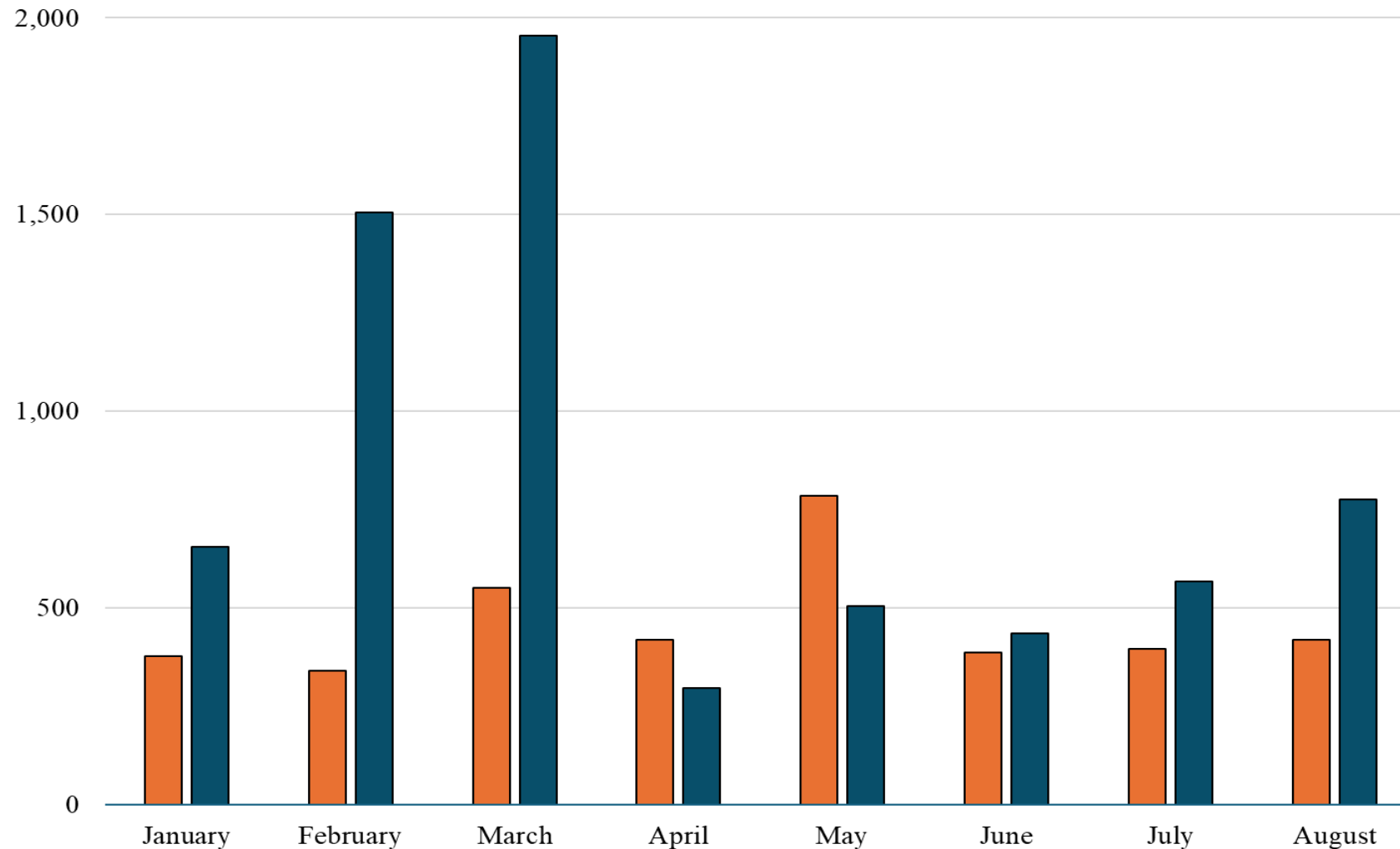
Employment Growth YoY as of August Calendar 2024 & 2025



Metropolitan Areas Labor Force and Unemployment YoY as of July

Metro Area	Labor Force		Unemployment Rate Change	
	% Growth	Rank	Percentage Points	Rank
Washington Metro	-1.2%	352	0.6%	346
Baltimore Metro	-0.6%	297	0.2%	224
Hagerstown-Martinsburg	-0.8%	311	0.1%	202
Lexington Park	-1.6%	366	0.2%	231
Salisbury	-0.1%	252	0.0%	175
US Metro Area Median	0.3%		0.0%	

Maryland Private Sector Layoff Notices by Month



Source: Maryland Department of Labor

■ Average Year ■ 2025

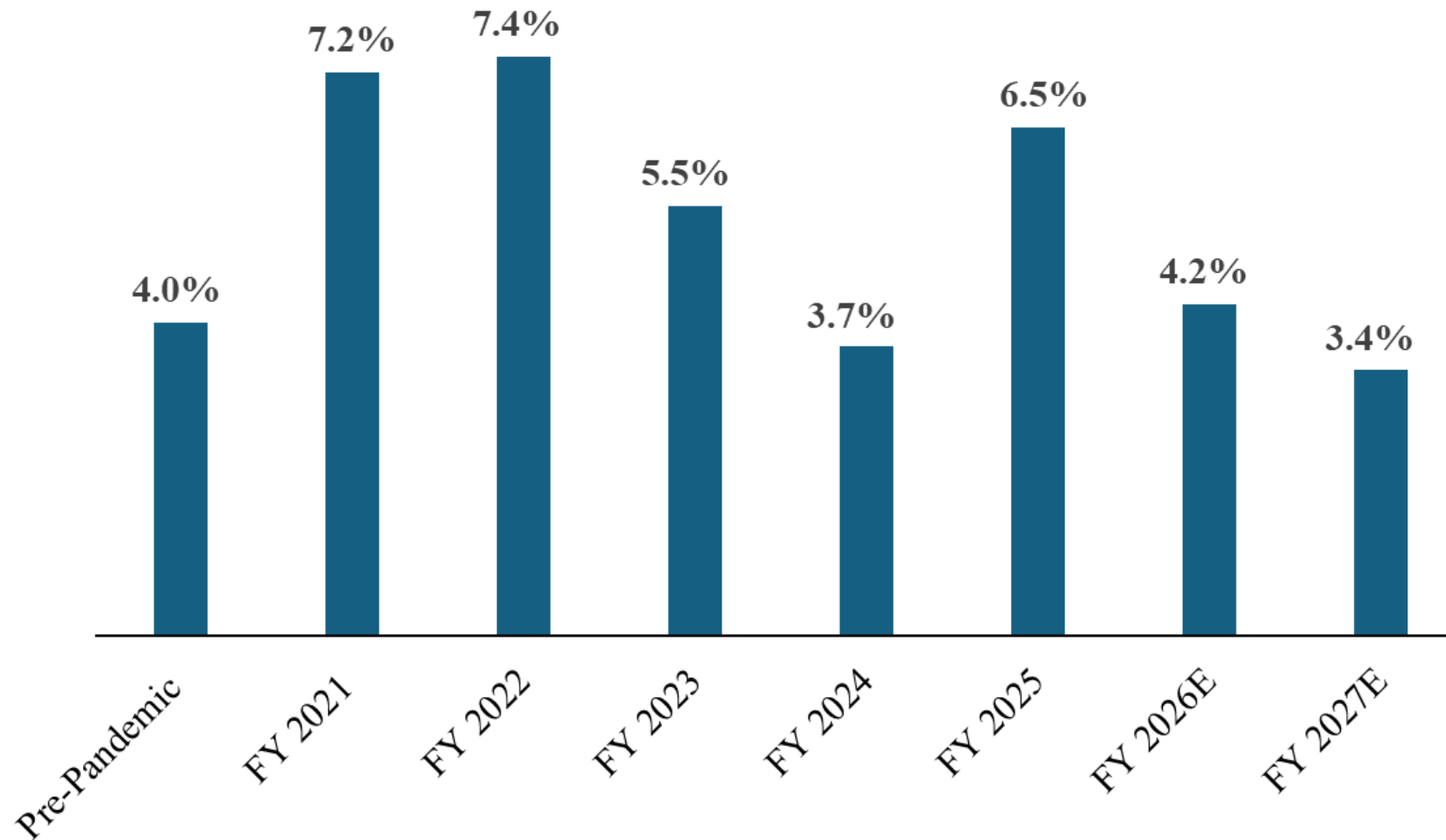
Revenues are Outperforming the Economic Data

- Maryland's withholding and sales tax collections are most tied to the economy and have not slowed recently
 - Two large components of Maryland's revenue base
- Withholding continues to outperform the economic data
 - Fiscal 2025 growth was well above typical
 - Tax Year 2025 is growing faster than expected
- Sales and Use Tax has not slowed despite consumer and business uncertainty
 - Fiscal 2025 collections increased by over 3%
- Similar patterns occurred in both VA and DC
 - Virginia closed out \$500M above forecast
 - DC raised its FY 2025 forecast by \$235M
 - All regions experienced surges of capital gains realizations while slowdown from federal policies have not been greater than anticipated



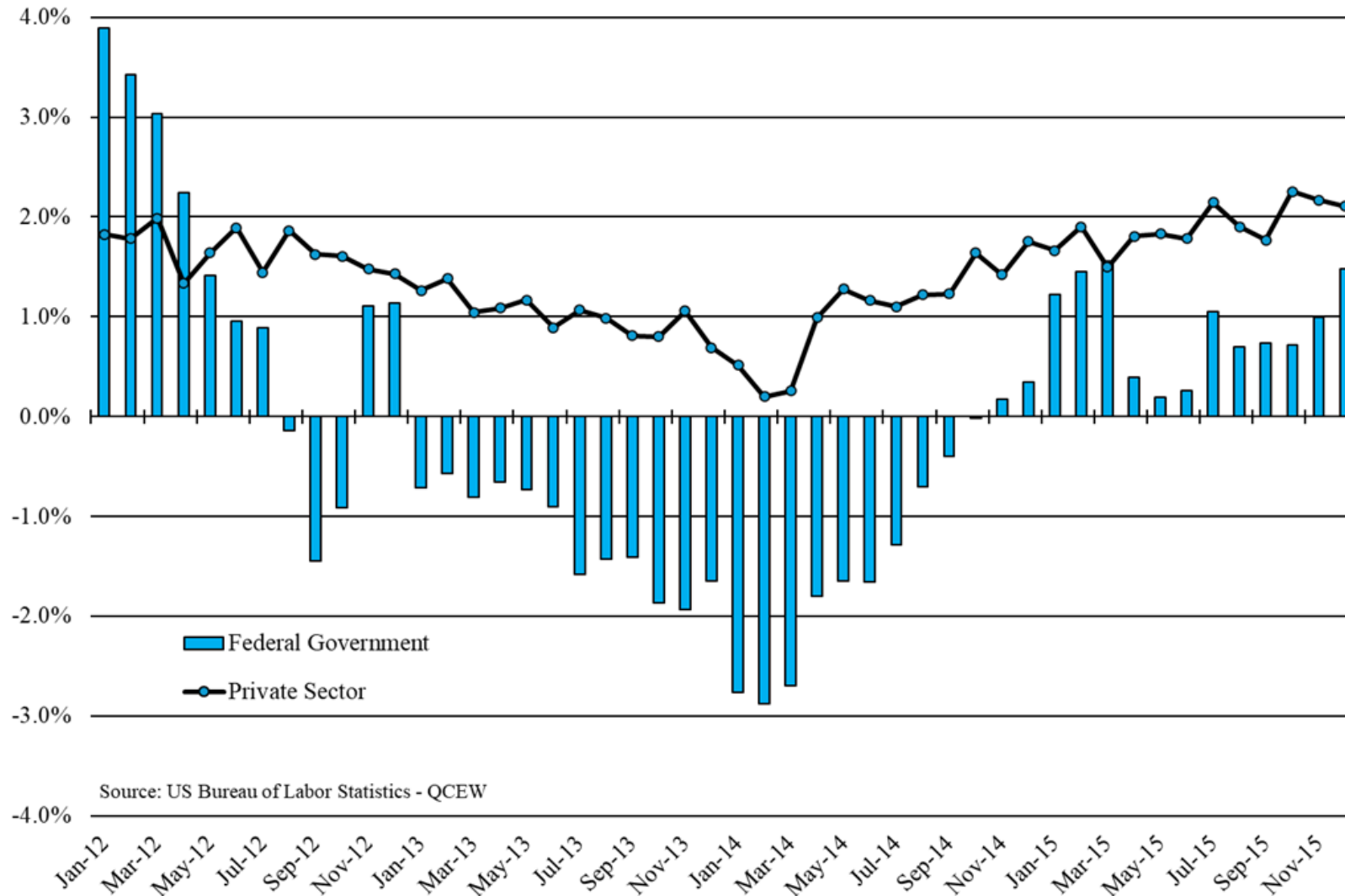
Withholding Income Tax Revenues

Actual and Estimated



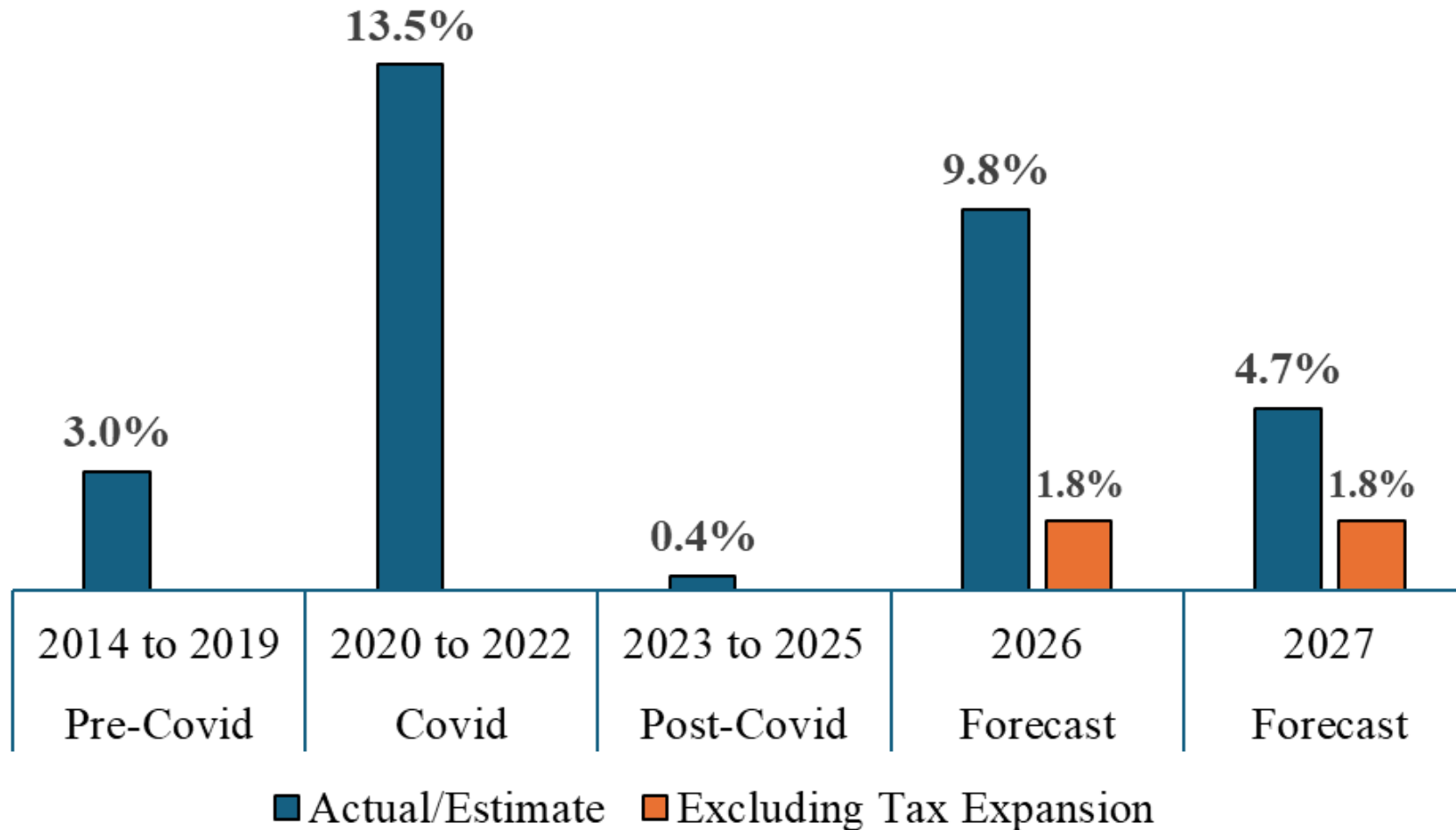
During Sequestration Private Sector Slowed after Federal Employment Losses

YoY Change in MD Federal and Private Sector Employment



Sales Tax GF Revenues

Forecasted Growth and Tax Law Expansion Impact



Forecast Summary and Risks

- Federal spending and employment reductions continue to impact Maryland and the region
- Federal and State tax legislation enacted in calendar 2025 increase uncertainty
 - Personal income tax is impacted by both
 - State legislation expanded the sales tax
 - New or expanded taxes are particularly difficult to estimate



Thank You

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