



# Revenue Estimates and Economic Outlook

March 11, 2026

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Robert J. Rehrmann, Executive Secretary

Board of Revenue Estimates

## Table 4: Maryland General Fund Revenues Fiscal Years 2025 – 2027

*Dollars expressed in thousands. Negative numbers are presented in parentheses and may not be read by screen readers.*

Revenue Source	FY 2025 Actual	FY 2026 December Estimate	FY 2026 March Estimate	FY 2026 Difference	FY 2026 Growth	FY 2027 December Estimate	FY 2027 March Estimate	FY 2027 Difference	FY 2027 Growth
<b>Income Taxes</b>									
Individual	14,565,248	15,420,888	15,624,891	204,003	7.3%	15,788,813	15,907,369	118,557	1.8%
Corporation	1,876,709	1,694,190	1,642,788	(51,401)	-12.5%	1,657,966	1,638,770	(19,197)	-0.2%
Total	16,441,957	17,115,078	17,267,680	152,602	5.0%	17,446,779	17,546,139	99,360	1.6%
<b>Sales and Use Taxes</b>	6,048,565	6,562,583	6,430,047	(132,536)	6.3%	6,869,808	6,630,279	(239,529)	3.1%
<b>State Lottery</b>	518,990	542,729	542,729	0	4.6%	475,339	475,339	0	-12.4%
<b>Other Revenues</b>									
Business Franchise Taxes	306,208	286,330	286,330	0	-6.5%	291,520	291,520	0	1.8%
Tax on Insurance Companies	789,799	828,315	828,315	0	4.9%	819,186	819,186	0	-1.1%
Estate and Inheritance Taxes	227,265	323,906	584,536	260,630	157.2%	277,626	279,702	2,076	-52.1%
Tobacco Tax	369,956	262,199	262,199	0	-29.1%	251,796	251,796	0	-4.0%
Alcoholic Beverages Excise Tax	39,202	39,498	39,498	0	0.8%	39,794	39,794	0	0.7%
District Courts	38,873	37,897	37,897	0	-2.5%	37,000	37,000	0	-2.4%
Clerks of the Court	28,115	27,320	27,320	0	-2.8%	27,967	27,967	0	2.4%

## Table 4: Maryland General Fund Revenues Fiscal Years 2025 – 2027 Continued

*Dollars expressed in thousands. Negative numbers are presented in parentheses and may not be read by screen readers.*

Revenue Source	FY 2025 Actual	FY 2026 September Estimate	FY 2026 December Estimate	FY 2026 Difference	FY 2026 Growth	FY 2027 September Estimate	FY 2027 December Estimate	FY 2027 Difference	FY 2027 Growth
<b>Other Revenues, continued</b>									
Hospital Patient Recoveries	91,972	80,935	80,935	0	-12.0%	80,935	80,935	0	0.0%
Interest on Investments	358,663	200,000	275,000	75,000	-23.3%	70,000	100,000	30,000	-63.6%
Miscellaneous	456,121	403,075	403,075	0	-11.6%	395,694	395,694	0	-1.8%
Sports Wagering	0	28,004	28,004	0		28,477	28,477	0	1.7%
<b>Total</b>	<b>2,706,172</b>	<b>2,517,478</b>	<b>2,853,108</b>	<b>335,630</b>	<b>5.4%</b>	<b>2,319,993</b>	<b>2,352,069</b>	<b>32,076</b>	<b>-17.6%</b>
<b>Total Current Revenues</b>	<b>25,715,684</b>	<b>26,737,869</b>	<b>27,093,565</b>	<b>355,696</b>	<b>5.4%</b>	<b>27,111,918</b>	<b>27,003,826</b>	<b>(108,093)</b>	<b>-0.3%</b>
Extraordinary Revenues	0	0	0	0		0	0	0	
Transfer Tax	0	25,000	25,000	0		25,000	25,000	0	0.0%
Revenue Volatility Cap <sup>1</sup>	0	0	0	0		0	0	0	
<b>GRAND TOTAL</b>	<b>25,715,684</b>	<b>26,762,869</b>	<b>27,118,565</b>	<b>355,696</b>	<b>5.5%</b>	<b>27,136,918</b>	<b>27,028,826</b>	<b>(108,093)</b>	<b>-0.3%</b>

*Note:*

<sup>1</sup> *Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation and Financing Acts. Board of Revenue Estimates, March 11, 2026*

# Summary of YTD Revenues and Forecast Adjustments

Dollars expressed in millions. Negative numbers are presented in parentheses and may not be read by screen readers.

Revenue	Variance from December Estimate (\$)	Forecast Change FY 2026 (\$)	Forecast Change FY 2027 (\$)	Forecast Change Total (\$)
Personal Income Tax	144.9	204.0	118.6	322.6
Corporate Income Tax	(18.3)	(51.4)	(19.2)	(70.6)
Sales and Use Tax	45.3	(132.5)	(239.5)	(372.0)
Other Revenues	279.6	335.6	32.1	367.7
<b>Total</b>	<b>451.5</b>	<b>355.7</b>	<b>(108.0)</b>	<b>247.7</b>
<b>Excluding Estate Tax</b>	<b>199.4</b>	<b>95.1</b>	<b>(110.1)</b>	<b>(15.0)</b>

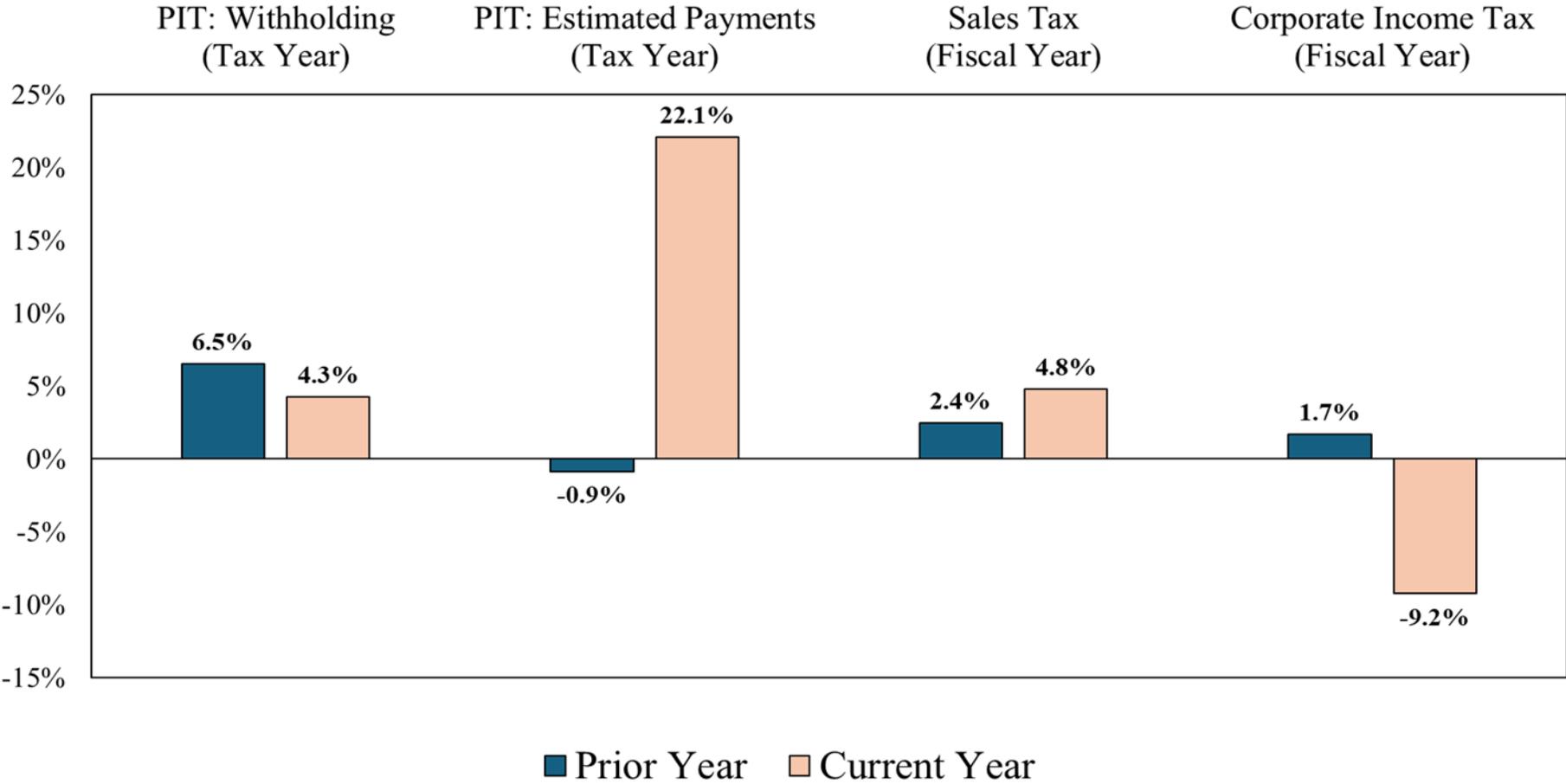
Source: Bureau of Revenue Estimates

# What has Changed since December Estimate

- YTD revenues are modestly above the forecast
  - Forecast re-calibrates expectations from major revenue sources with little net change
  - Increased personal income tax collections and lowered corporate income tax and sales tax revenues
  - Recognize greater than expected estate tax and interest income revenues
- Economic forecast is consistent with prior forecasts and expects slow growth in calendar 2026
- Uncertainty remains over the US economy, federal policy actions, and recent federal and State tax legislation



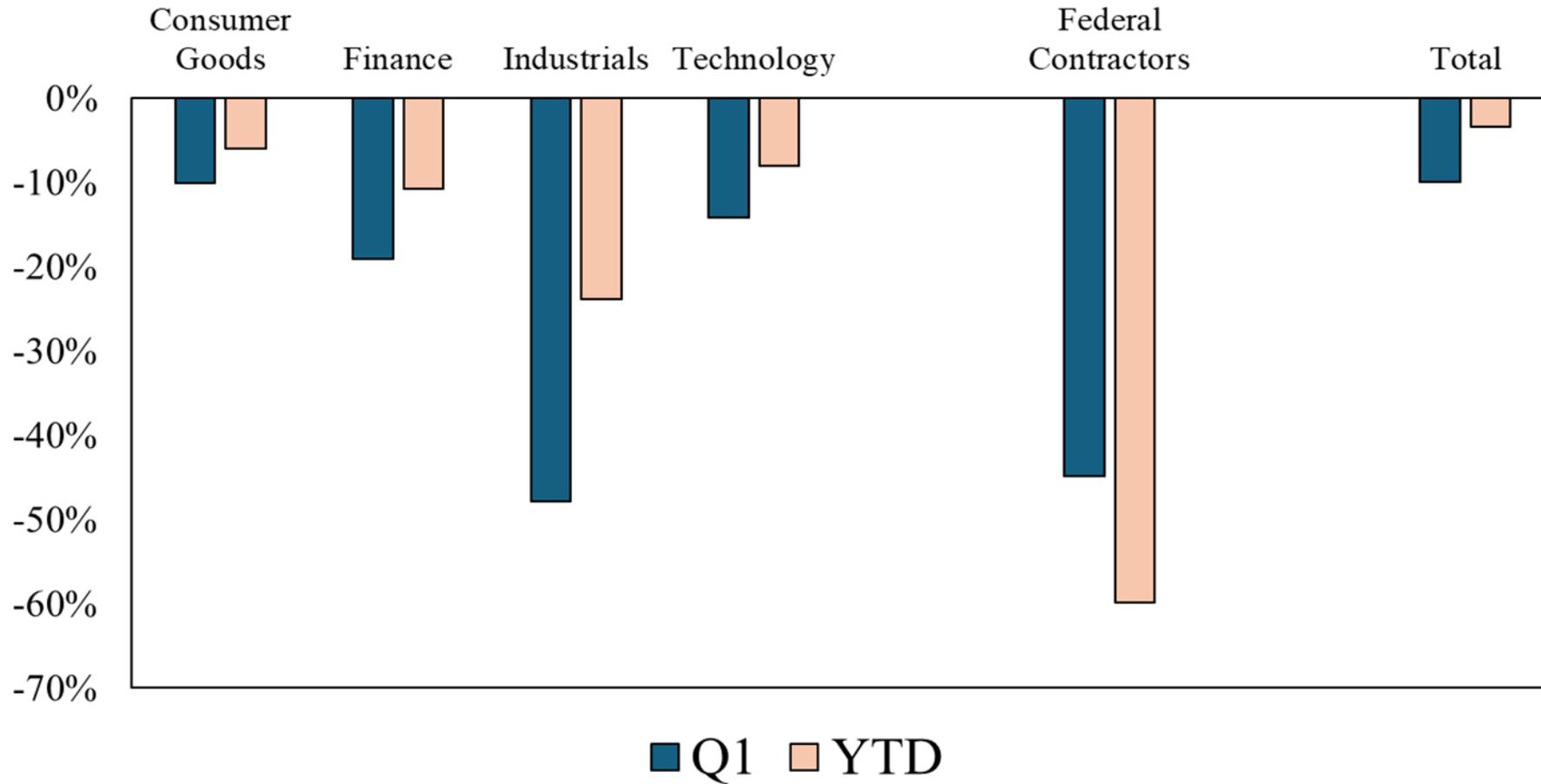
# Most Revenue Sources are at or above Trend Growth Rates



Notes: Sales tax reflects growth not including cannabis and IT/Data Services tax; Corporate revenues reflect gross revenues before refunds  
 Source: Bureau of Revenue Estimates

# Corporate Income Tax – Improving but still down for the Year

## YoY Growth in Estimated Payments by Sector



Notes: Q1 reflects returns processed in FY 2026 through October 2025; Consumer goods reflect consumer cyclical industry  
Source: Bureau of Revenue Estimates

# Corporate Income Tax Revenues

- Corporate income tax revenues have stabilized but are below expectations, leading to the modest forecast reduction
  - Final payments for prior tax years, current year estimated payments, and refunds are all contributing to the lower revenue
- One Big Beautiful Bill provisions continue to drive uncertainty
  - Maryland temporarily decoupled from three business income tax provisions
- Most industries continue to show a decline in estimated payments but have also shown improvement
  - Estimated payments from federal contractors are a source of weakness



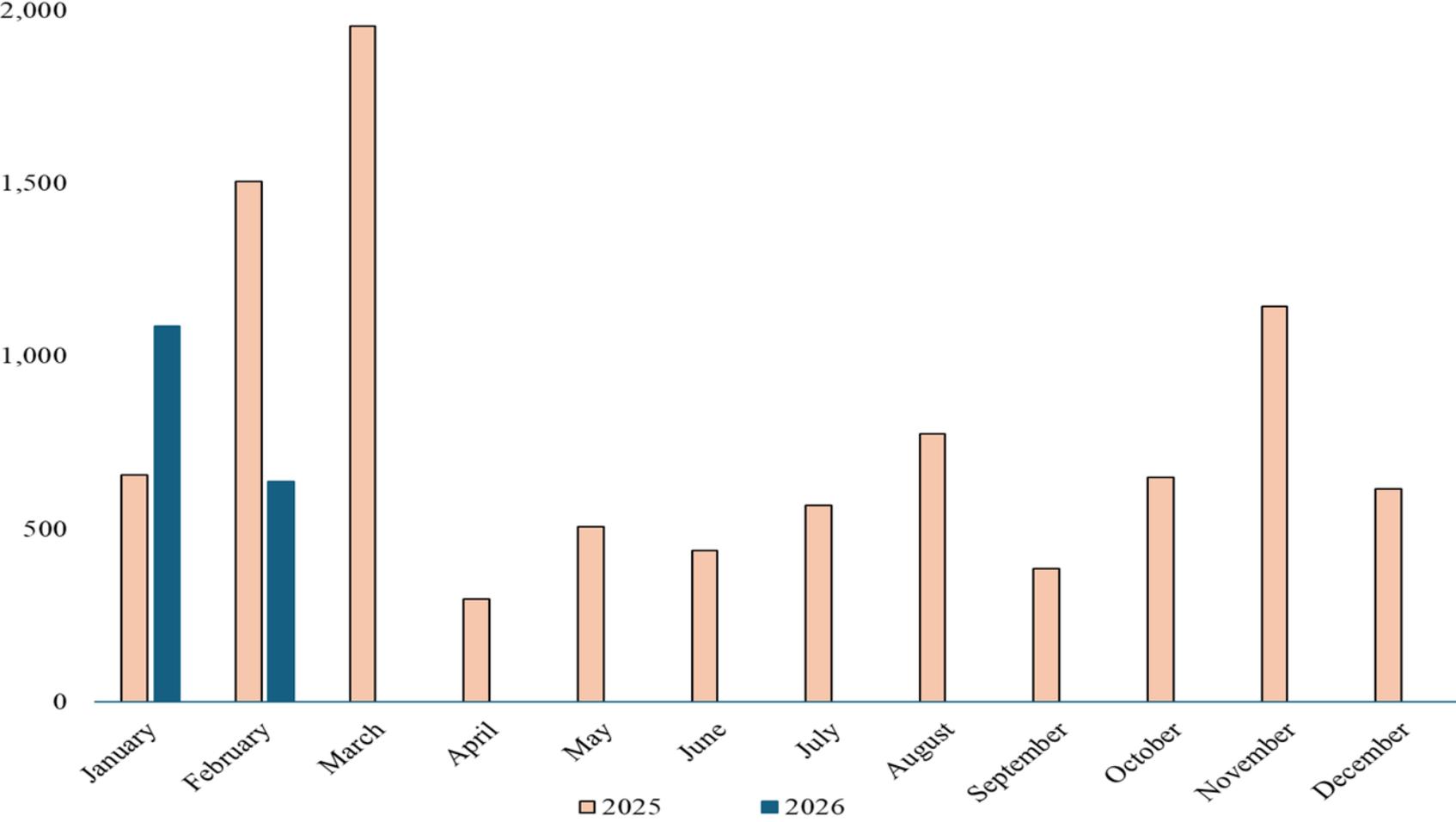
# Corporate Income Tax Revenues

## Continued

- Final payments surged after enactment of the federal Tax Cuts and Jobs Act of 2017
  - It's possible this could occur again, but we are not incorporating this expectation into the forecast



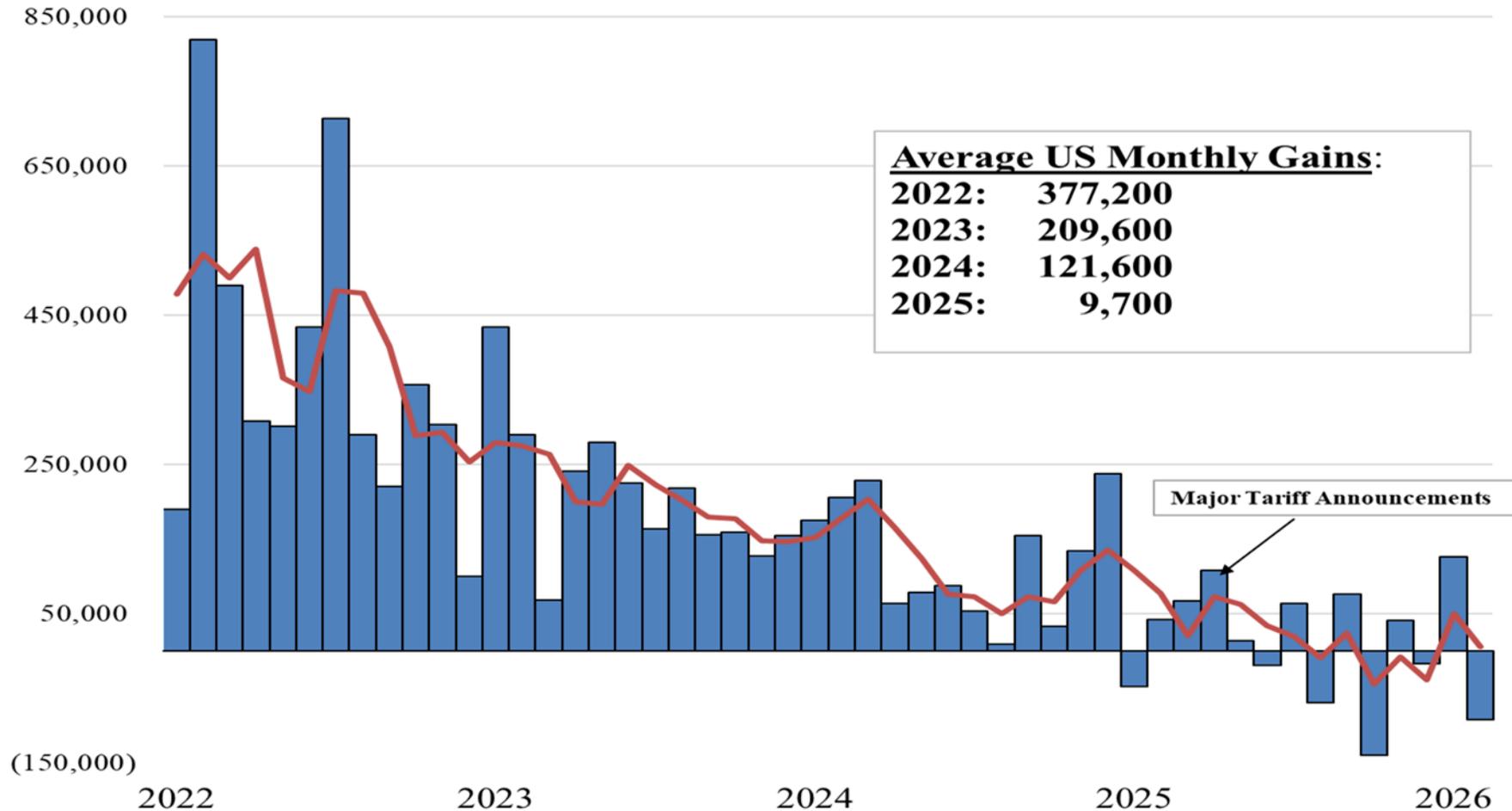
# Maryland Private Sector Layoff Notices by Month



Source: Maryland Department of Labor

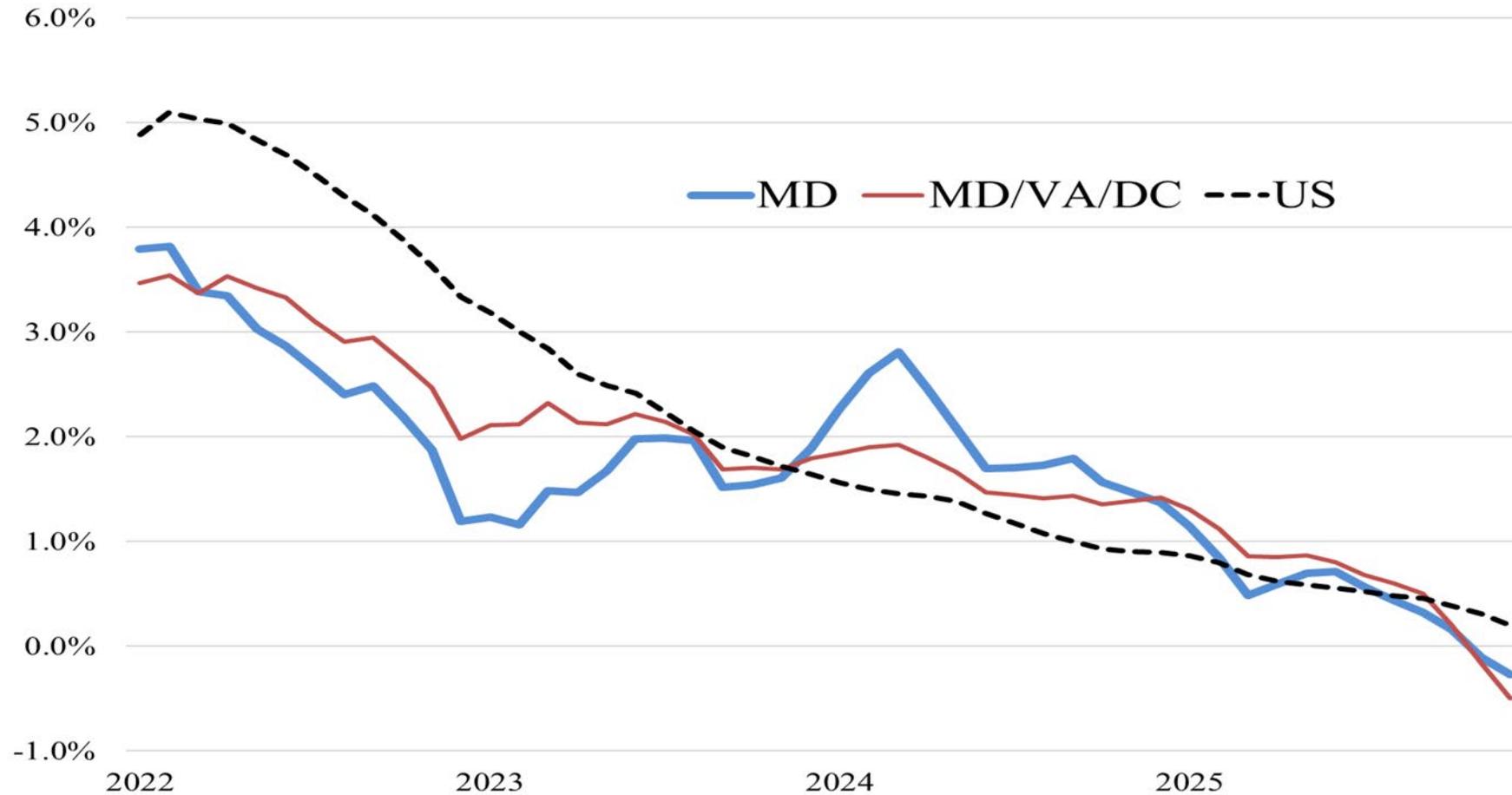
# US Change in Monthly Employment

(month-over-month change and 3-month average)



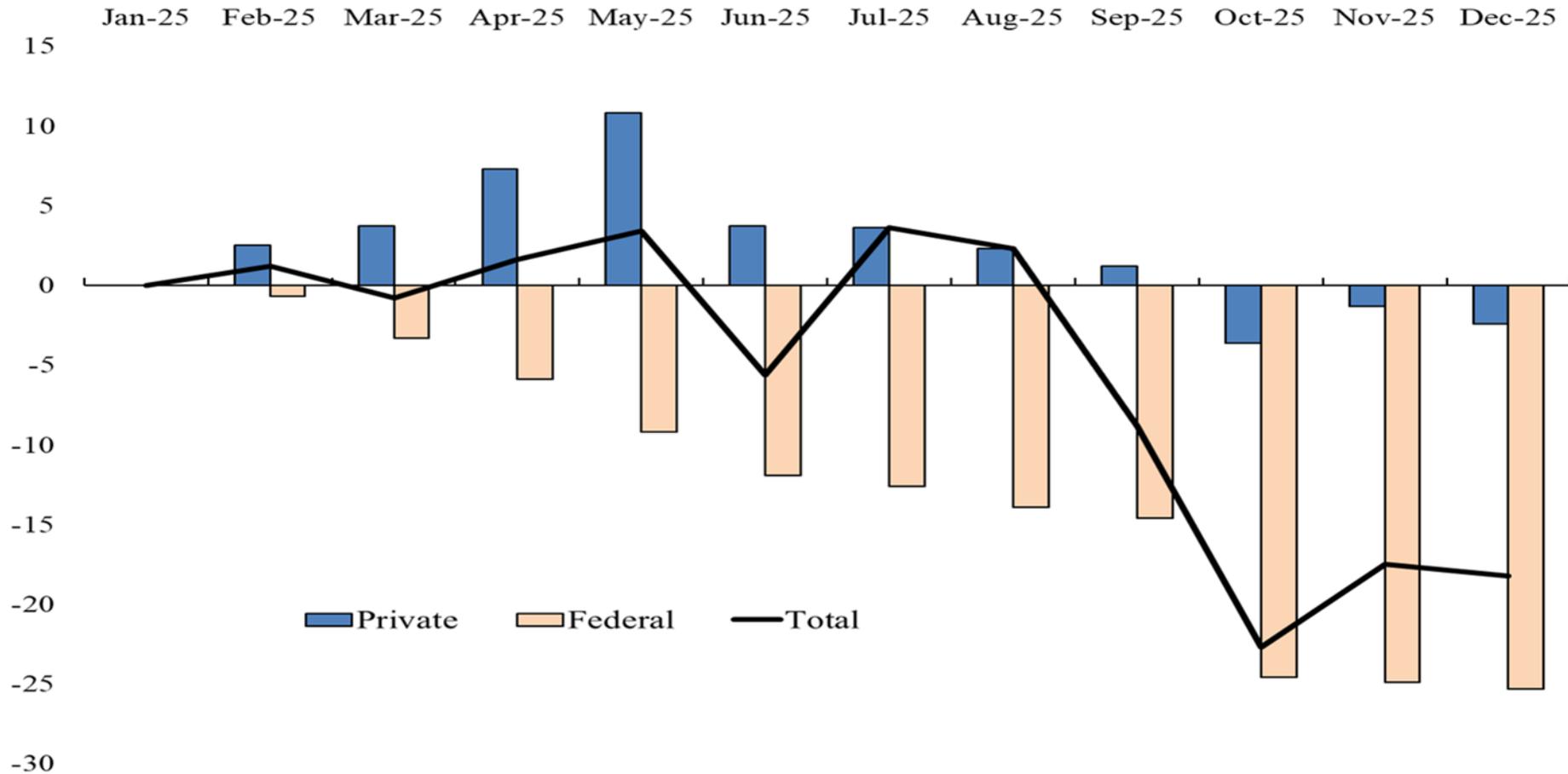
Source: US Bureau of Labor Statistics

# Maryland/Region Employment Slows with the US (3-month average)



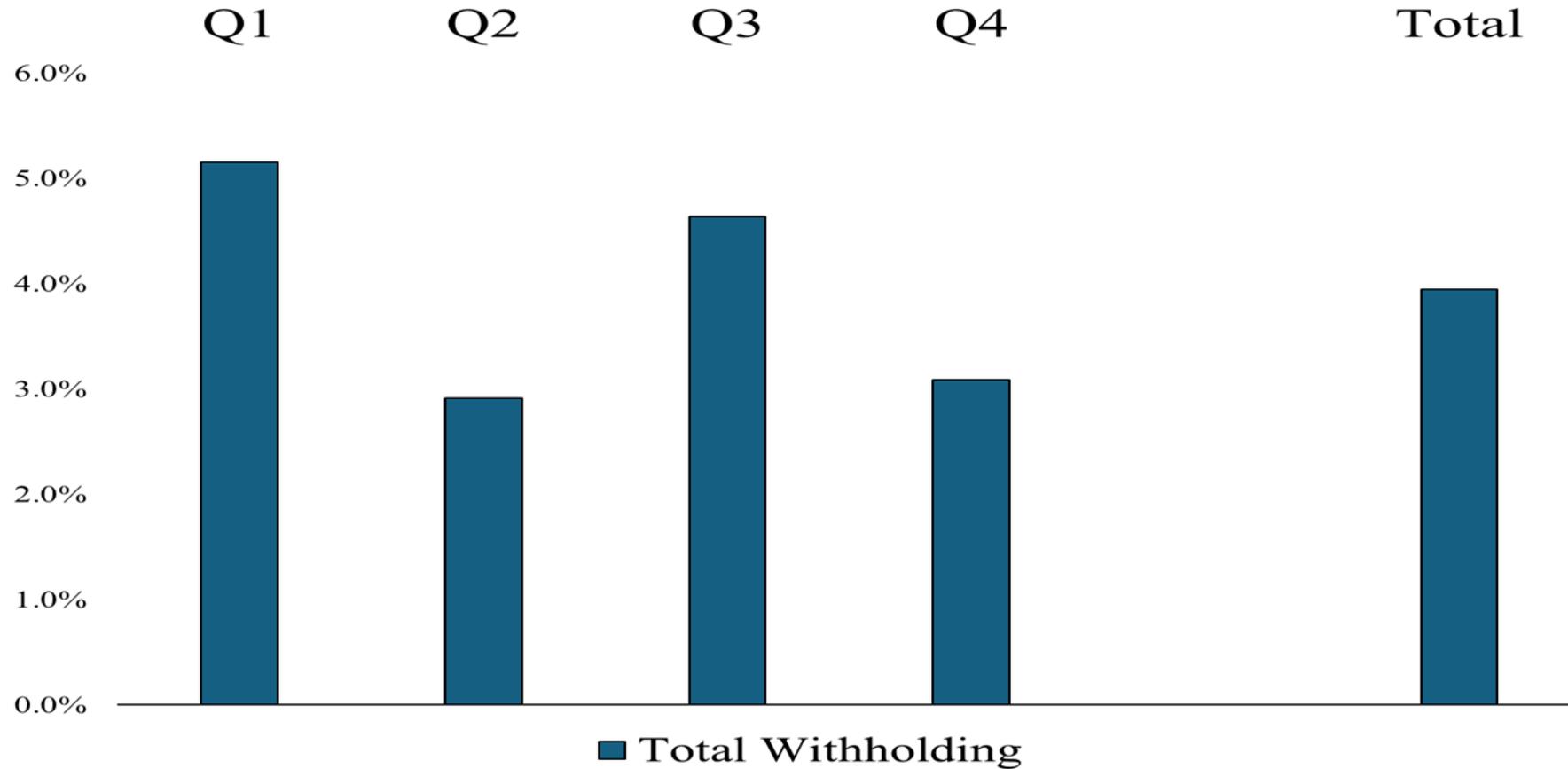
Source: US Bureau of Labor Statistics

# Maryland Cumulative Employment Change by Sector (thousands)



Note: Total change includes State and local employment change  
 Source: US Bureau of labor Statistics, Bureau of Revenue Estimates

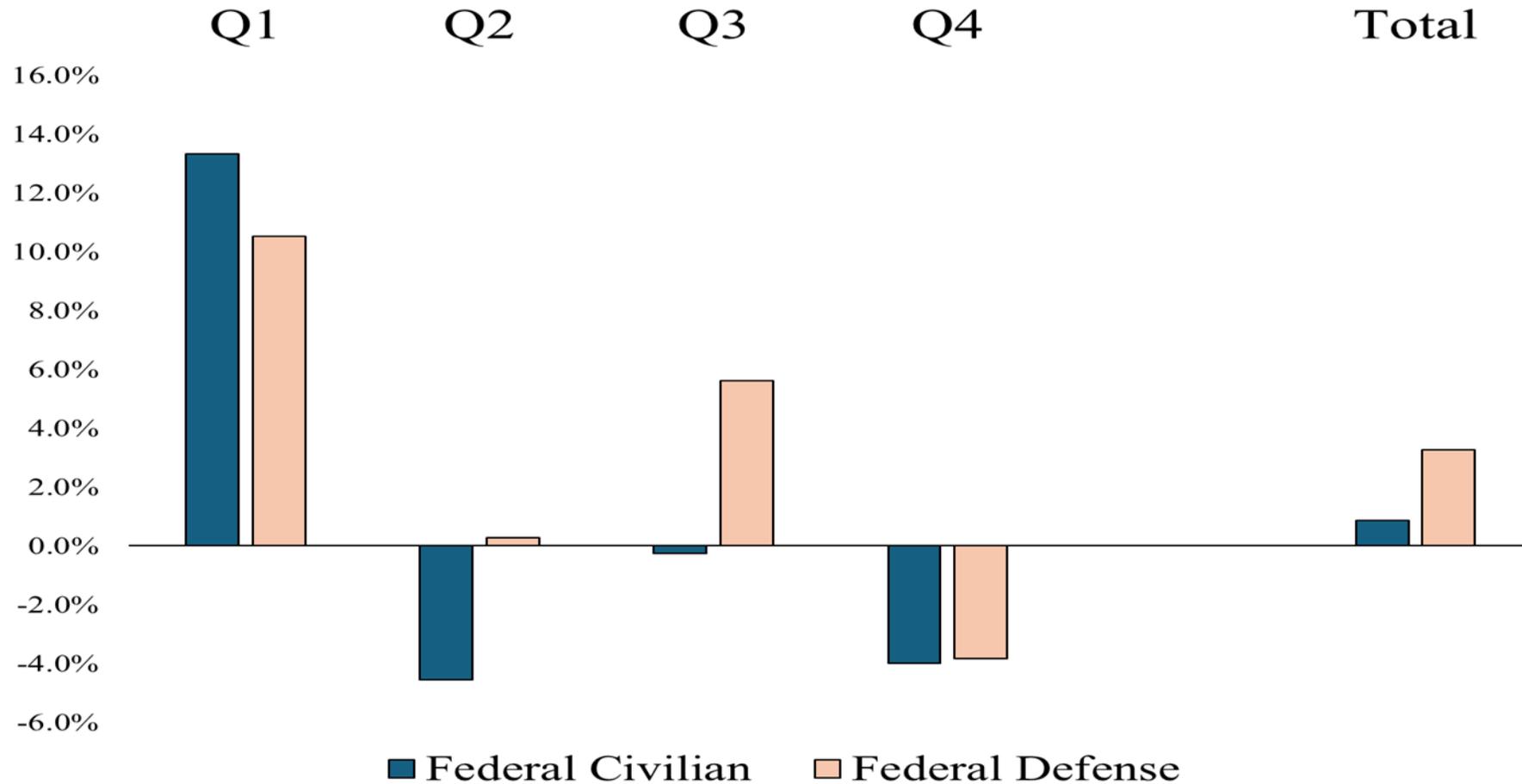
# Tax year 2025 Total Withholding Growth



Note: Reflects attributable collections  
Source: Bureau of Revenue Estimates

# Tax Year 2025 Withholding Growth Rates

## Federal Government Defense and Federal Government Civilian Collections



Note: Reflects attributable collections  
Source: Bureau of Revenue Estimates



# Personal Income Tax

- Strong estimated payment growth and stock market gains in 2025
  - We are raising our capital gains forecast to 10%
  - Our estimate continues to expect a significant portion of the tax increases enacted in the 2025 session will be paid in final payments
  - Federal income tax estimated payments have also been strong and CBO expects strong capital gains
- Withholding remains resilient and above estimate despite labor market contraction
  - Our forecast does not rely on withholding continuing to outperform the economic data and expects below trend growth in calendar 2026



# Personal Income Tax

## Continued

- A greater share of PIT revenue is from volatile nonwage income
  - This will likely drive larger forecast adjustments

# Sales Tax Forecast

- We have two quarters of revenue data on the IT/Data Services tax
  - Revenues are below the estimate
  - Collections did not meaningfully accelerate in Q2
  - We are lowering our estimate in FY 2026 and future years, thereby reducing a significant risk factor
- Our “core” sales tax collections are growing faster than anticipated
  - This offsets a little more than one-half of the reduction in the IT/Data Services forecast
  - Elevated inflation and strong nominal wage growth are likely contributing to the strength

# Sales Tax Forecast

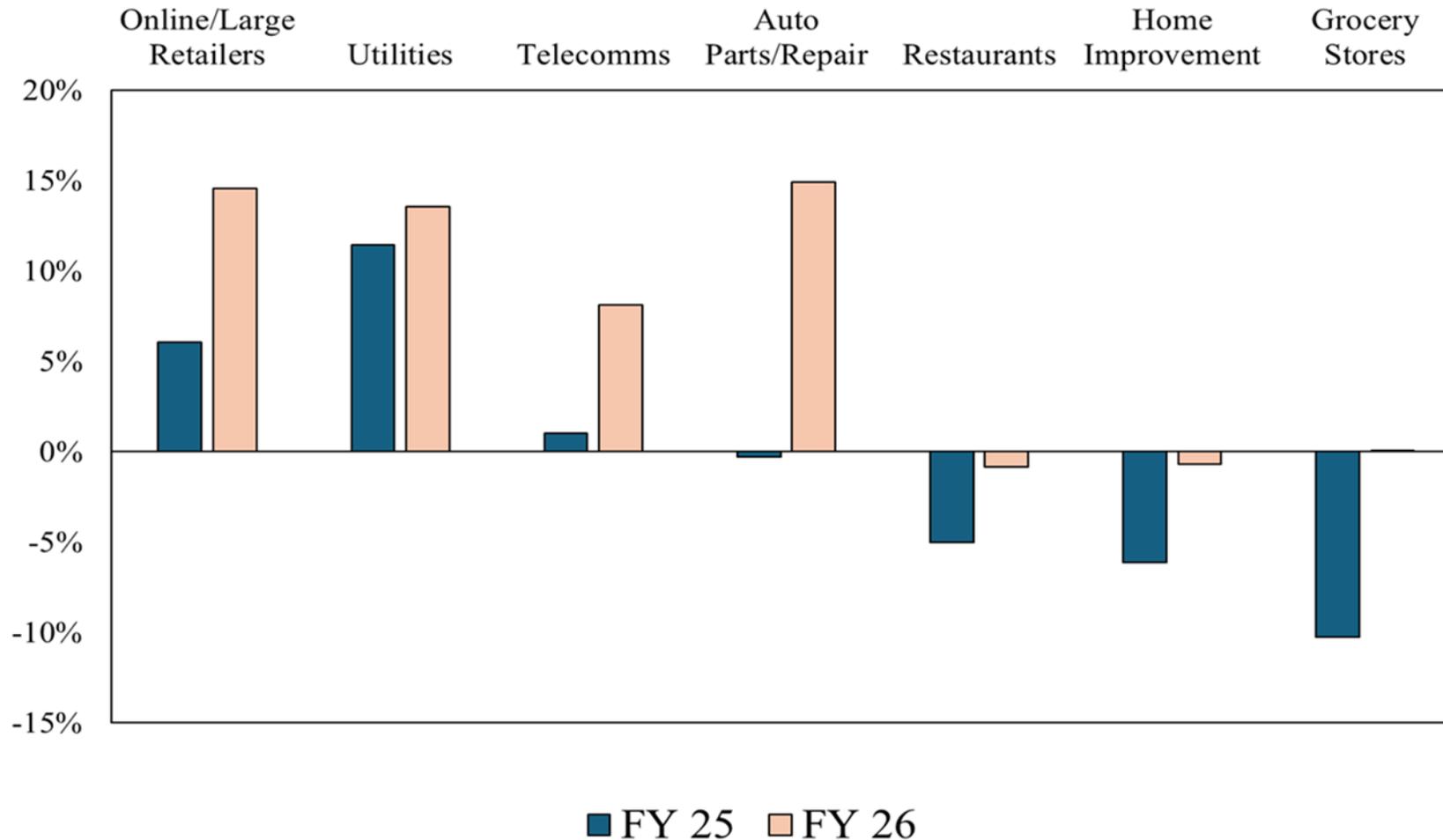
## Continued

- Steady housing costs for certain homeowners and unwinding of unfavorable shift to services may also be helping
- Cannabis revenues are slightly under the estimate but not a meaningful driver of the forecast changes



# Sales Tax Growth by Sector

## (YTD through January)



Source: Bureau of Revenue Estimates



# Factors Driving Sales Tax Growth

- “Core” sales tax (not including recent expansions to cannabis and IT/Data Services) is growing 4.8% YTD compared to 2.4% last year
- Revenues are growing faster due to a combination of:
  - **Sectors Growing Faster:** Big retailers and online sales, telecoms, and utilities/energy sectors
  - **Declined in FY 25 but now Growing:** Manufacturers, auto parts and repairs, building components and construction, most other minor categories
  - **Still declining, but less than FY 25:** Liquor stores, other retail, and restaurants
- Neighboring Virginia and Pennsylvania have similar growth

# Forecast Uncertainties Progress Report

- **March Estimate:**

- **Deferred Resignation Program:** No evidence that the end of this program for federal employees caused a sudden slowing in withholding collections
- **IT/Data Services Tax (Sales Tax):** We now have two quarters of data and are adjusting the estimate based on this data

- **June:**

- Final payments will largely be in, providing clarity on the accuracy of our capital gains forecast and tax law change estimates for the One Big Beautiful Bill and Budget Reconciliation and Financing Act (BRFA) of 2025



# Forecast Uncertainties Progress Report

## Continued

- **July/August:**
  - Complete closeout data including corporate income tax revenue and impact of One Big Beautiful Bill



# Thank You

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