Maryland

#44

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
44 ▲ 1	34 ▲ 3	47 –	36 ▲ 2	36 –	22 ▼ 4

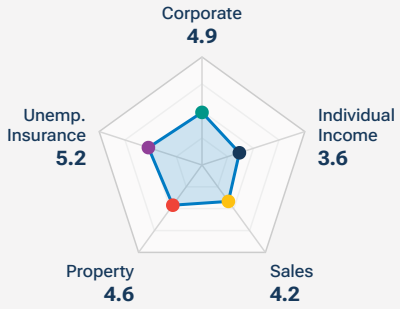
Maryland's tax code is complex and includes all the major tax types. The state has historically ranked among the bottom 10 states on the *Index*. Maryland has a progressive individual income tax system. Legislation enacted in 2025 increased the state's individual tax progressivity by expanding to 10 tax brackets, creating a new top marginal tax rate of 6.5 percent, and establishing a 2 percentage point capital gains surcharge for individuals with federal AGI exceeding $350,000. High-rate county income taxes, with rates as high as 3.3 percent, yield a substantially above-average income tax burden for Maryland residents.

The state's corporate income tax rate is 8.25 percent, considerably higher than regional competitors Virginia and West Virginia. Maryland conforms to Section 951A under the One Big Beautiful Bill Act (OBBBA) and therefore includes net CFC tested income (NCTI) in its corporate tax base, increasing Maryland corporate income tax liability for companies with operations abroad. As a result of legislation adopted in 2026, Maryland now limits its partial conformity to the federal bonus depreciation by allowing only a 20 percent deduction for qualified machinery and equipment expenses for manufacturers. Maryland limits Section 179 expensing for pass-through businesses to $25,000 in annual expenses, whereas most states offer $2.56 million. However, Maryland does not impose harmful gross receipts or capital stock taxes and has a sales tax system with a general statewide rate of 6 percent.

In addition to complexities with traditional taxes, Maryland was the first state in the country to adopt a targeted digital advertising tax, which is nonneutral, difficult to comply with, and subject to numerous legal disputes. In 2025, Maryland adopted a 3 percent tax on a range of business digital products. Maryland is also the only state that imposes both estate and inheritance taxes, with maximum rates of 16 and 10 percent, respectively, making the state less attractive for high-net-worth individuals. These factors further exacerbate Maryland's relatively poor tax competitiveness.

Component scores

out of 10



Maryland and its neighbors

Overall rank, 2027 Index, with change from 2026

Delaware	#22	▼ 1
West Virginia	#29	▲ 6
Pennsylvania	#30	–
Virginia	#31	▼ 4
Maryland	**#44**	▲ 1
District of Columbia	#47*	