



Taxes

Maryland's basic tax philosophy is one of fairness and consistency. In addition to the tax exemptions and credits outlined in this section, the state has:

- No gross receipts tax on manufacturers
- No corporate franchise tax
- No unitary tax on profits
- No income tax on foreign dividends (if the corporation owns 50 percent or more of the subsidiary)
- No tax on intangible property
- No separate school taxes

The Comptroller of Maryland (www.marylandtaxes.gov) is the state's primary tax collector. The Comptroller's web site has information about tax regulations, withholding, tax forms, and unclaimed property, as well as numerous fiscal reports. New businesses can register through the Maryland State Combined Registration On-line Application:

(<https://interactive.marylandtaxes.gov/webapps/comptrollercra/entrance.asp>).

The State Department of Assessments and Taxation, or DAT (dat.maryland.gov) administers and enforces the property assessment and property tax laws of Maryland, allowing for uniformity of property assessment throughout the state. The DAT web site has information on property tax rates, exemptions, credits, and forms.

Maryland offers a variety of tax and financing incentives to enhance business development opportunities in the state. See the Financing & Incentives section of this document for more details on tax incentive programs.

Corporate Taxes

Corporate Income Tax

Every corporation and every association having income allocable to the State of Maryland is required to file an income tax return with the state. The tax rate is 8.25 percent of the net income allocable to Maryland.

Depreciation allowances in the state follow the federal Modified Accelerated Cost Recovery System, except where specifically decoupled from specific provisions.

A corporation, in computing Maryland taxable income, may deduct from federal net taxable income dividends received from foreign subsidiaries, if the corporation owns 50 percent or more of the foreign subsidiary.

Apportionment

Starting in tax year 2021 (submitted 2022), a single sales factor apportionment was updated. Exceptions include: the current and continued use of a single sales factor formula for manufacturers (NAICS 11, 31, 32 or 33); and the option for worldwide headquarters companies to choose a three-factor, double-weighted sales factor formula. Certain other industries, such as leasing companies, transportation companies, the airline industry, and banks and financial institutions, are subject to special apportionment formulas. In addition, for service companies, receipts are sourced by the location of the taxpayer's customer, as opposed to the state in which the taxpayer incurred the greatest cost in providing the service.

State Corporate Income Tax Rates – 2025

State	Rate
New Jersey	Up to 11.50%
California	8.84%
Delaware ¹	8.70%
Maryland	8.25%
Washington, D.C.	8.25%
Massachusetts	8.00%
Pennsylvania ¹	7.99%
New York	Up to 7.25%
West Virginia ¹	6.50%
Virginia ¹	6.00%

¹ DE has gross receipts taxes in addition to corporate income taxes, as do several states including PA, VA and WV which permit gross receipts taxes at the local (but not state) level.

Note: Top rate for states with multiple brackets.

Source: Tax Foundation.

Non Corporate Business Income Tax

Subchapter S corporations that are subject to federal income tax at the corporate level must also file corporate income tax returns in Maryland. Most other pass-through entities are required to file Maryland forms 510 or 511.

Significant Income Tax Incentives

- Enterprise Zone Income Tax Credits
- Job Creation Tax Credits
- One Maryland Tax Credits
- Maryland Research & Development Tax Credits

See the “Financing & Incentives” section of this data book for more details on these tax incentives.

Property Taxes

Real Property

Real property in Maryland is appraised at market value and taxed on assessed value, which is 100 percent of market value. Both state and local real property taxes are applied to assessed value.

Real Property Tax Incentives

Certain jurisdictions may grant redevelopment/revitalization tax credits to qualified businesses.

New or expanding businesses locating in a Maryland Enterprise Zone may receive property tax credits on improvements to real property; in Focus Areas within the zones, the real property tax credit is enhanced.

As part of the state's Smart Growth initiative, counties may grant tax credits for cleanup and improvement of qualified brownfields sites.

Each county has the discretionary authority to award real property tax credits to a new or expanding manufacturer.

Business Personal Property

There is no state tax on business personal property in Maryland. In addition, five counties do not levy personal property taxes on ordinary business property. The remaining counties and the City of Baltimore levy taxes on the depreciated value of business personal property, which for most property is 10 percent annually to a minimum of 25 percent of original cost. Certain personal property, such as data processing computer equipment, depreciates more rapidly. Specific depreciation categories and rates are outlined below.

Business Personal Property Tax Incentives

Five counties (Frederick, Garrett, Kent, Queen Anne's, and Talbot) do not levy personal property taxes on ordinary business property; only utility operating property is taxed. Municipalities within these counties may not exempt business personal property.

All counties exempt manufacturing, R&D, and commercial inventory from taxation. Many municipalities also offer exemptions. There may be some municipalities in these jurisdictions that do not exempt manufacturing, commercial, or R&D inventory.

All but two counties exempt manufacturing and R&D machinery and equipment. Upon application to Somerset and Worcester Counties, new and expanding firms may be eligible for a tax credit. Many municipalities also offer exemptions. Some municipalities may not exempt said property.

Customized computer software is exempt. Local jurisdictions may grant a tax credit for "off-the-shelf" computer software.

In focus areas within Maryland's Enterprise Zones, a 10 year, 80 percent credit is given on the assessment of business personal property that has qualified for the credit.

Through their discretionary authority, local jurisdictions may grant other tax exemptions and credits. See the "Financing & Incentives" section of this data book for more details on these tax incentives.

Depreciation Rates for Business Personal Property

Category A - 10% per year- minimum 10%

All property not specifically listed below.

Category B - 20% per year- minimum 25%

Mainframe computers originally costing \$500,000 or more.

Category C - 20% per year- minimum 10%

Autos (unlicensed), bowling alley equipment, brain scanners, car wash equipment, contractor's heavy equipment (tractors, bulldozers), hotel, motel, hospital and nursing home furniture and fixtures (room and lobby), MRI equipment, mobile telephones, model home furnishings, music boxes, outdoor Christmas decorations, outdoor theatre equipment, photocopy equipment, radio and TV transmitting equipment, rental pagers, rental soda fountain equipment, self-service laundry equipment, stevedore equipment, theatre seats, trucks (unlicensed), vending machines, x-ray equipment.

Category D - 30% per year- minimum 5%

Data processing equipment and other computer-based equipment, canned software.

Category E - 33 1/3% per year- minimum 10%

Blinds, carpets, drapes, shades. The following applies to equipment rental companies only: rental stereo and radio equipment, rental televisions, rental video cassette recorders and rental DVDs and video tapes.

Category F - 50% per year- minimum 10%

Pinball machines, rental tuxedos, rental uniforms, video games.

Category G - 5% per year- minimum 25%

Boats, ships, vessels (over 100 feet).

Additional information on business personal property taxes is available through the Maryland Department of Assessments and Taxation.

Property Tax Rates and Exemptions – Fiscal Year 2025
(July 1, 2024 - June 30, 2025)

	Real Property Tax Rate ¹	Personal Property Tax Rate ²
Allegany County	\$0.975	\$2.4375
Anne Arundel County	\$0.983	\$2.457
Baltimore City	\$2.248	\$5.620
Baltimore County	\$1.100	\$2.750
Calvert County	\$0.967	\$2.230
Caroline County ³	\$0.980	\$2.450
Carroll County	\$1.018	\$2.515
Cecil County	\$0.982	\$2.481
Charles County	\$1.141	\$2.8525
Dorchester County ³	\$1.000	\$2.440
Frederick County ³	\$1.110	\$0
Garrett County ³	\$1.056	\$0
Harford County	\$0.9779	\$2.4448
Howard County	\$1.044	\$2.610
Kent County ³	\$1.022	\$0
Montgomery County	\$0.670	\$1.6750
Prince George's County	\$1.000	\$2.500
Queen Anne's County ³	\$0.830	\$0
Somerset County	\$1.000	\$2.500
St. Mary's County	\$0.8478	\$2.1195
Talbot County ³	\$0.791	\$0
Washington County	\$0.928	\$2.320
Wicomico County	\$0.8468	\$2.1715
Worcester County	\$0.845	\$2.1125
Maryland	\$0.112	N/A

N/A = Not applicable

¹ Rate per hundred dollars of assessed value. Property is assessed at 100 percent of market value.

² Rate per hundred dollars of depreciated value.

³Frederick, Garrett, Kent, Queen Anne's, and Talbot counties do not impose personal property taxes on ordinary businesses; only utility operating property is taxed.

Note: County rates are for unincorporated areas and may be lower in incorporated areas. In addition to county property taxes, incorporated municipalities levy property taxes. Additional miscellaneous taxes and/or special taxing areas may apply.

Source: Maryland Department of Assessments and Taxation.

Sales and Use Taxes

The Maryland sales and use tax is imposed upon the sale or use of tangible personal property and certain services at the rate of 6.0 percent, unless a specific exemption is provided. There are no general sales or use taxes levied by Maryland's counties or municipalities. Major business-oriented exemptions from the tax include sales of the following:

- Capital and noncapitalized manufacturing machinery and equipment.

- Safety and quality control equipment used on a production activity site, and equipment used to move a finished product on the production site.
- Tangible personal property consumed directly in manufacturing or testing of finished products.
- Fuels used in manufacturing, except those used to cool, heat, and light the manufacturing facility.
- Items for resale and tangible personal property to be incorporated in other tangible personal property manufactured for resale.
- Computer programs reproduced for sale or incorporated in whole or in part into another computer program intended for sale.
- Customized computer software.
- Equipment and materials used or consumed in research and development, including testing of finished products.
- Aircraft, vessels, railroad rolling stock, and motor vehicles used principally in the movement of passengers or freight in interstate and foreign commerce.
- Certain end-item testing equipment used to perform a contract for the U.S. Department of Defense and transferred to the federal government.
- Items and services purchased or rented for film and video productions made in Maryland for commercial distribution; includes short-term rental of vehicles used in film production activities.

Workers' Compensation

All employers in Maryland are required to provide workers' compensation coverage for their employees. Workers' compensation may be provided by the employer in one of three ways:

- The employer may insure with any company that is authorized to write this type of coverage in Maryland.
- The employer may insure with Chesapeake Employers' Insurance Company, which is a self-supporting agency of the State of Maryland.
- The employer may self-insure. This entails furnishing the Workers' Compensation Commission with proof of the financial ability to pay compensation, plus furnishing the required bond, excess insurance and a safety plan.

Maryland insurers, including Chesapeake Employers' Insurance Company, offer very competitive rates when compared to other states. According to a 2024 study of workers' compensation costs, Maryland ranks 34th among the states at \$0.78 per \$100 of covered wages, and lower than the nationwide average of \$1.00 per \$100.¹

¹ National Academy of Social Insurance, "Workers' Compensation: Benefits, Costs, and Coverage," p. 44-45, November 2024, accessed April 7, 2025. <https://www.nasi.org/wp-content/uploads/2024/11/2024-WC-Report-2022-Data-Final.pdf>

Unemployment Insurance

Upon establishing a new business in Maryland, an employer must apply for an unemployment insurance account number. Employers are assigned a new account tax rate until a rate can be established based on their experience rating. There is no employee contribution.

For 2025, rates are as follows:

Taxable wage base – \$8,500

New employer rate – 2.6 percent

Rate range for existing employers – 0.3 to 7.5 percent

Employers transferring from out of state into the state of Maryland may be able to transfer their out-of-state experience rates to operations in Maryland. Additional information on unemployment insurance is available from the Maryland Department of Labor, Division of Unemployment Insurance at labor.maryland.gov/employment/unemployment.shtml.

Personal Income Taxes

The state requires all employers to withhold both state and local income taxes. Maryland uses federal adjusted gross income as the starting point for determining taxable income for the state.

State Personal Income Tax Rates – 2024

Single Taxpayer* Taxable Income	Tax Rate	Joint Taxpayer* Taxable Income	Tax Rate
\$1 - \$1,000	2%	\$1 - \$1,000	2%
\$1,001 - \$2,000	\$20 plus 3% of the excess over \$1,000	\$1,001 - \$2,000	\$20 plus 3% of the excess over \$1,000
\$2,001 - \$3,000	\$50 plus 4% of the excess over \$2,000	\$2,001 - \$3,000	\$50 plus 4% of the excess over \$2,000
\$3,001 - \$100,000	\$90 plus 4.75% of the excess over \$3,000	\$3,001 - \$150,000	\$90 plus 4.75% of the excess over \$3,000
\$100,001 - \$125,000	\$4,697.50 plus 5% of the excess over \$100,000	\$150,001 - \$175,000	\$7,207.50 plus 5% of the excess over \$150,000
\$125,001 - \$150,000	\$5,497.50 plus 5.25% of the excess over \$125,000	\$175,001 - \$225,000	\$8,322.50 plus 5.25% of the excess over \$175,000
\$150,001 - \$250,000	\$7,260 plus 5.5% of the excess over \$150,000	\$225,001 - \$300,000	\$10,947.50 plus 5.5% of the excess over \$225,000
Over \$250,000	\$12,760 plus 5.75% of the excess of \$250,000	Over \$300,000	\$15,072.50 plus 5.75% of the excess over \$300,000

*Single taxpayers include married filing separately, dependents or fiduciaries. Joint taxpayers include surviving spouses or heads of household.

Source: Comptroller of Maryland.

Maryland's 23 counties and Baltimore City impose a personal income tax which is administered and collected by the state. The tax is applied to state taxable income.

Local Personal Income Top Tax Rates – 2025

County	Rate	County	Rate	County	Rate
Allegany	3.03%	Charles	3.03%	Prince George's	3.20%
Anne Arundel ¹	3.20%	Dorchester	3.20%	Queen Anne's	3.20%
Baltimore City	3.20%	Frederick ²	3.20%	St. Mary's	3.20%
Baltimore	3.20%	Garrett	2.65%	Somerset	3.20%
Calvert	3.20%	Harford	3.06%	Talbot	2.40%
Caroline	3.20%	Howard	3.20%	Washington	2.95%
Carroll	3.03%	Kent	3.20%	Wicomico	3.20%
Cecil	2.74%	Montgomery	3.20%	Worcester	2.25%

Source: Comptroller of Maryland.

1) \$1 to \$50k: 2.7%, \$50K to \$400k: 2.81%, \$400k+: 3.2%

2) \$1 to \$25k: 2.25%, \$25K to 50k: 2.75%, \$50k to \$150K: 2.96%, \$150k+: 3.2%