# Revenue Estimates and Economic Outlook

## September 24, 2026

Robert J. Rehrmann, Executive Secretary

Board of Revenue Estimates

# Proposed Forecast Revisions

- The FY 2027 forecast is $27.44 billion, a write up of $319.9 million compared to the prior estimate
- FY 2027 ongoing general fund revenues are expected to decline by 0.9%
- This decline reflects:
  - A large one-time reduction from the Potomac Edison case
  - Significant one-time revenues from multiple revenue sources in FY 2026
  - An increase in lottery distributions to pay for capital projects
  - Modest baseline growth rates for our most important revenue sources

# Proposed Forecast Revision, continued

- The first forecast for FY 2028 is $28.35 billion
  - This is ongoing general fund growth rate of 3.3%
- The proposed revisions primarily reflect FY 2026 closeout, revenue changes not related to the economy, and a largely unchanged economic outlook

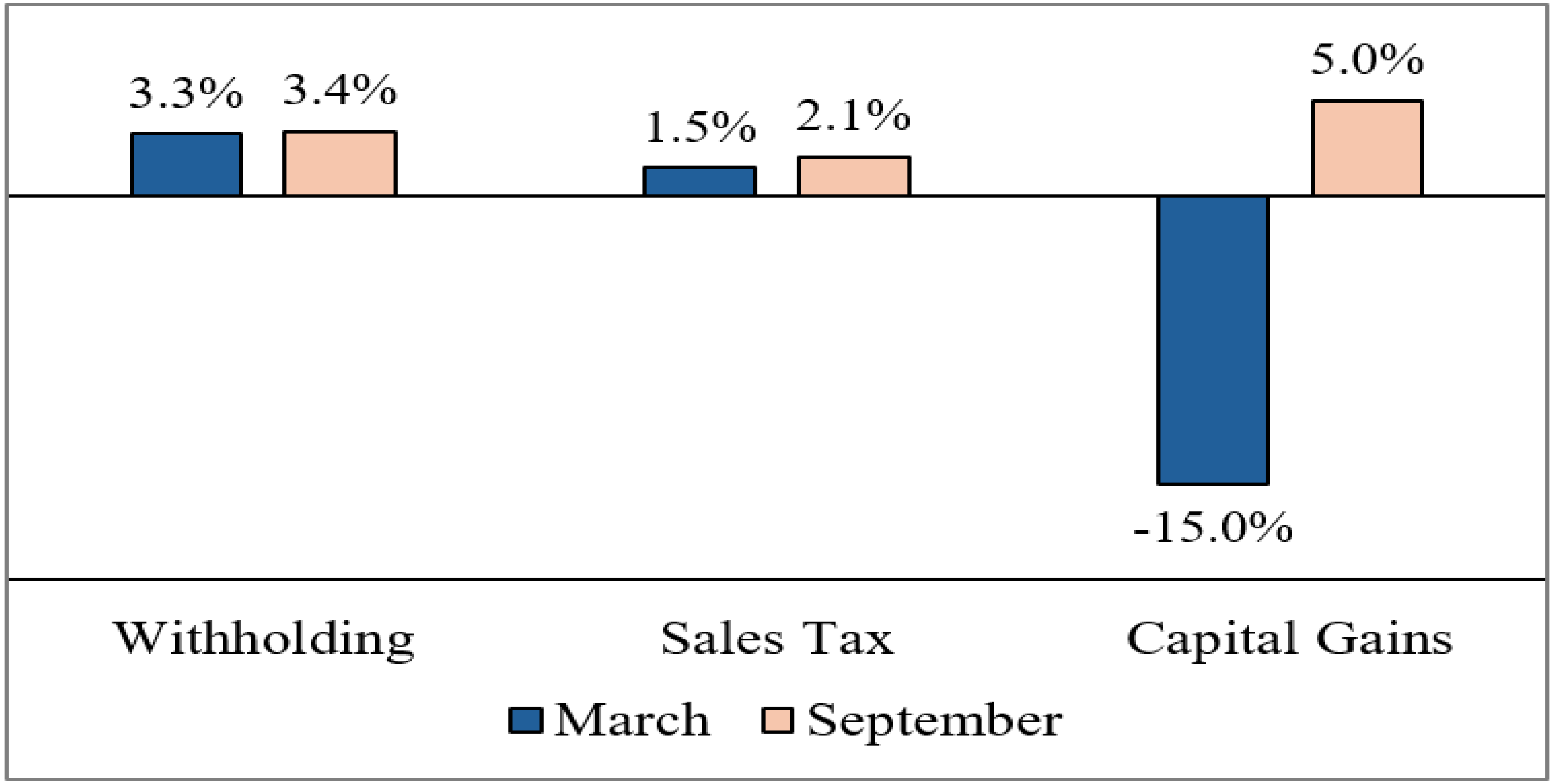
# Revenue Growth Rates and Difference from Estimate
# FY 2026 Actual and FY 2027 & FY 2028 Forecast

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

| Revenue | FY 2026 Actual Revenues $ Difference | FY 2026 Actual Revenues % Growth | FY 2027 Forecast $ Difference | FY 2027 Forecast % Growth | FY 2028 Forecast % Growth |
|---|---|---|---|---|---|
| Personal Income Tax | $254.9 | 9.0% | $263.7 | 1.9% | 2.3% |
| Corporate Income Tax | $135.3 | -5.3% | $0.8 | -0.3% | 10.1% |
| Sales and Use Tax | $47.8 | 7.1% | ($197.0) | -1.3% | 6.3% |
| Others | $125.5 | 9.2% | $252.4 | -13.0% | -1.2% |
| **Total Ongoing Revenues** | **$563.5** | **7.5%** | **$319.9** | **-0.9%** | **3.3%** |

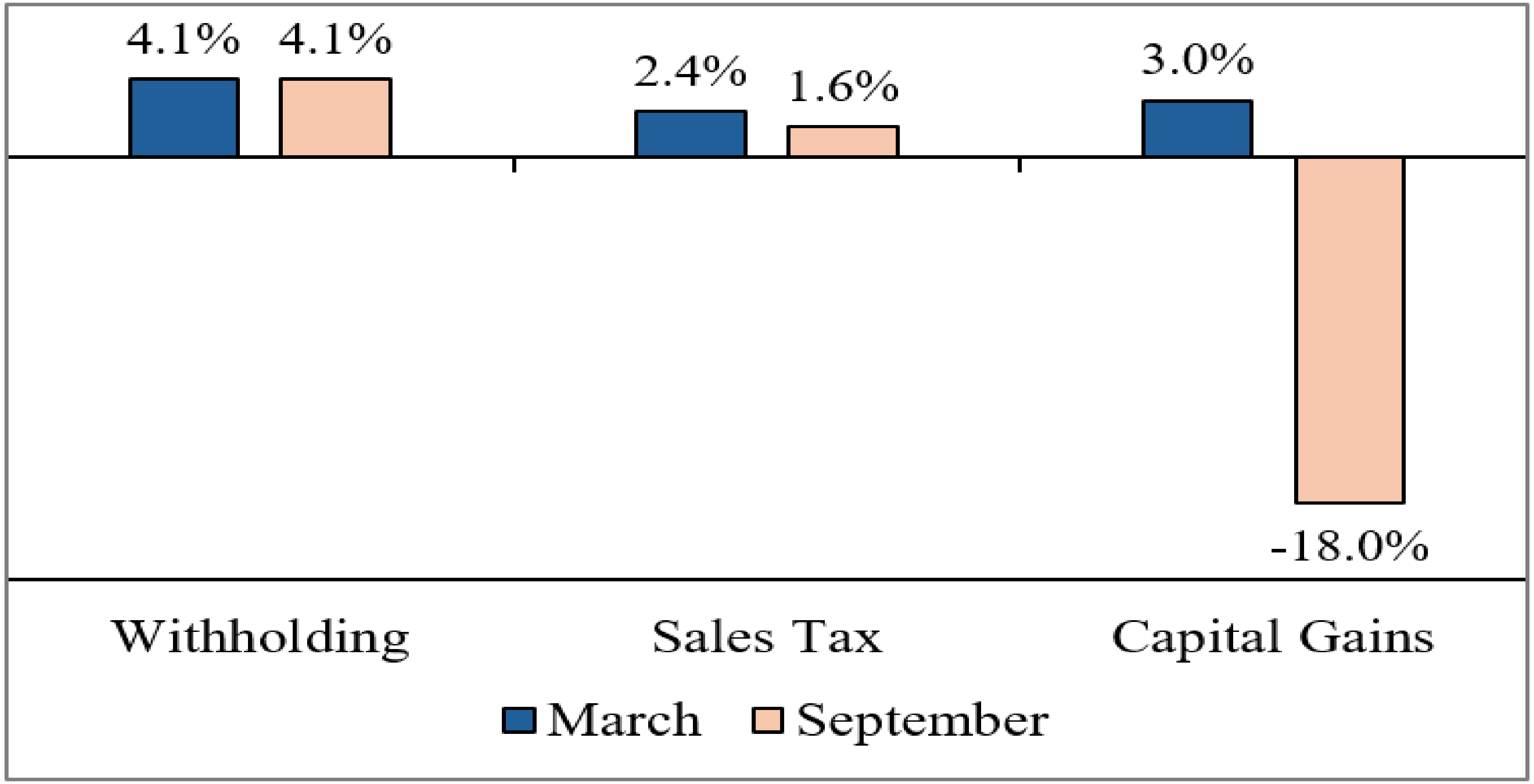
Source: Bureau of Revenue Estimates

# Economic Forecast is Consistent Coupled with Capital Gains Increase
## Comparison of FY 2027 Growth Rates




Notes: Capital gains reflect tax year 2026 growth rate while withholding and sales tax reflect FY 2027 growth rates; Sales tax does not reflect refunds or recent expansions to cannabis and IT/data services
Source: Bureau of Revenue Estimates

# Comparison of FY 2028 Growth Rates




Notes: Capital gains reflect tax year 2027 growth rate while withholding and sales tax reflect FY 2028 growth rates; Sales tax does not reflect refunds and recent expansions to cannabis and IT/data services

Source: Bureau of Revenue Estimates

# FY 2026 Closeout

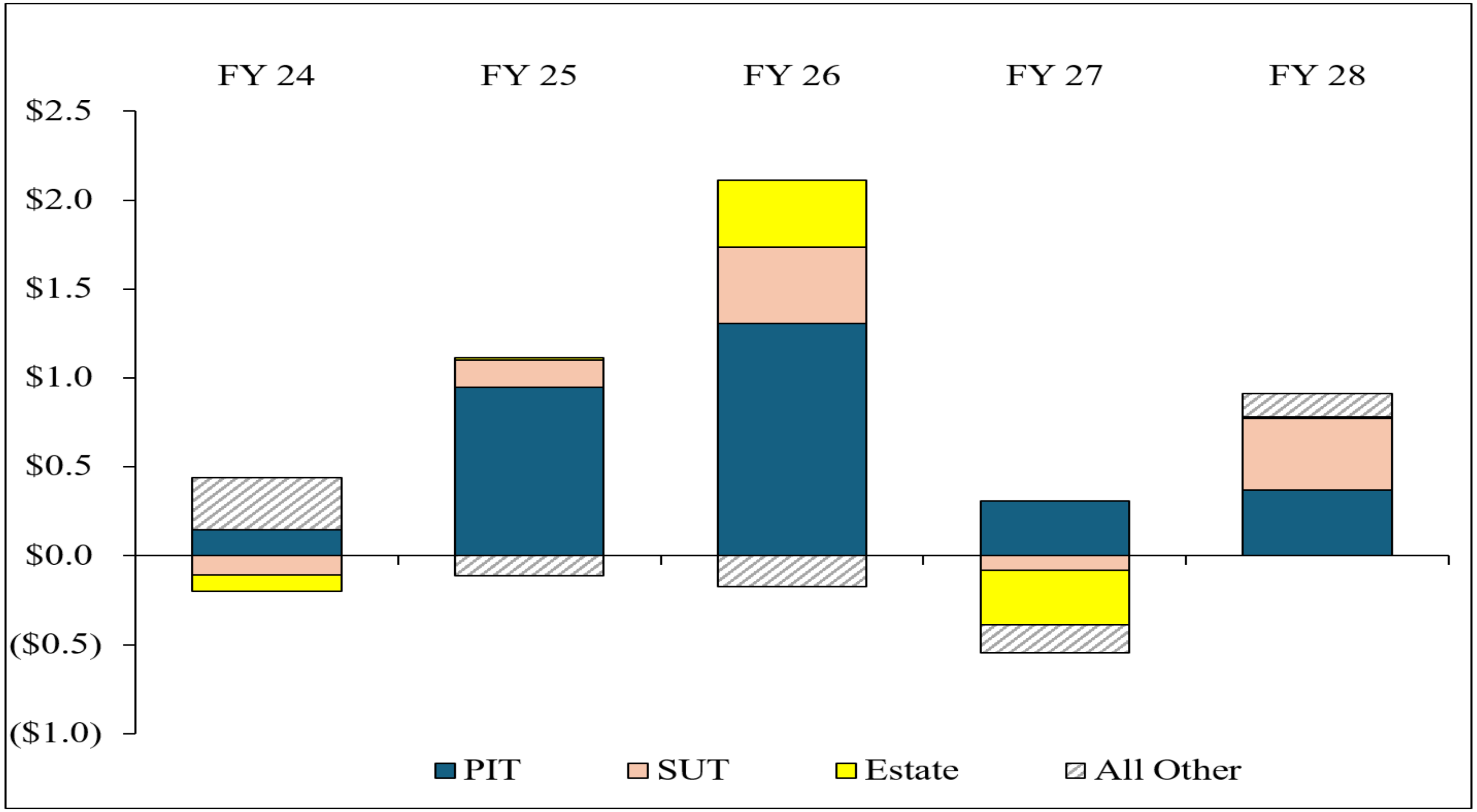
# Strong Revenue Growth in FY 2026

- FY 2026 ongoing GF increased **$1.9 billion (7.5%)** over FY 2025
  - This is well above the typical trend
- Including the **one-time $380 million transfer** from the local income tax reserve account (2026 BRFA), total GF growth was **$2.3 billion (9.1%)**
- Both the **PIT and SUT** had strong growth – driven by capital gains and stronger taxable consumer spending
  - Growth in both sources was amplified by recent tax law changes (2025 BRFA)
  - Other revenue growth was strong due to extraordinary one-time revenue payments

# Strong Revenue Growth in FY 2026, continued

- CIT and withholding were notable exceptions to this strength
- This growth occurred **despite an ongoing labor market contraction**

# PIT and SUT Returned to Strong Growth in FY 2026
# (Change in GF Revenues by Source $ in Billions)

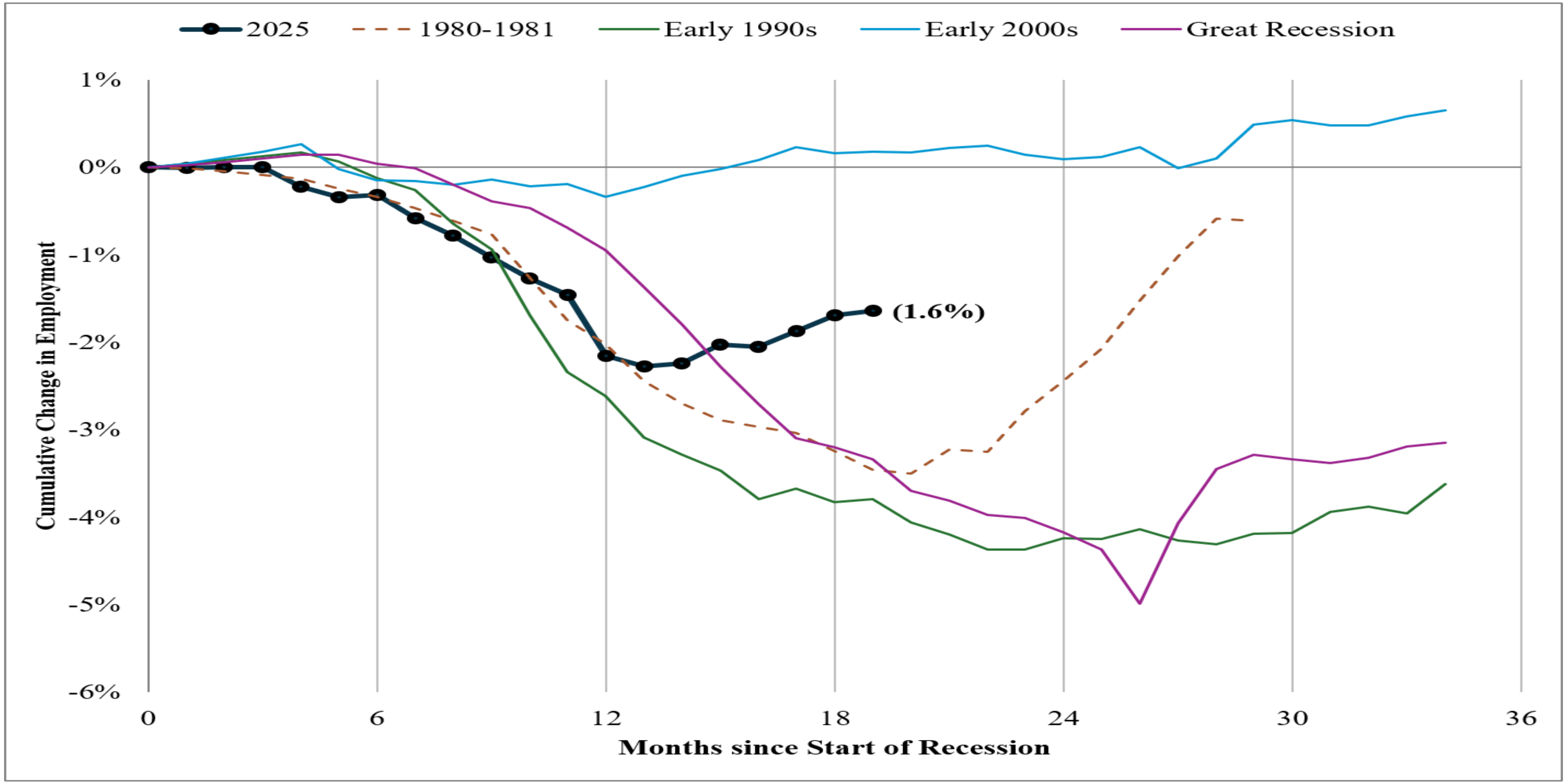



Source: Bureau of Revenue Estimates

# Labor Market Data

# Job Recession Persists, Even as Fiscal Indicators Tell a Different Picture

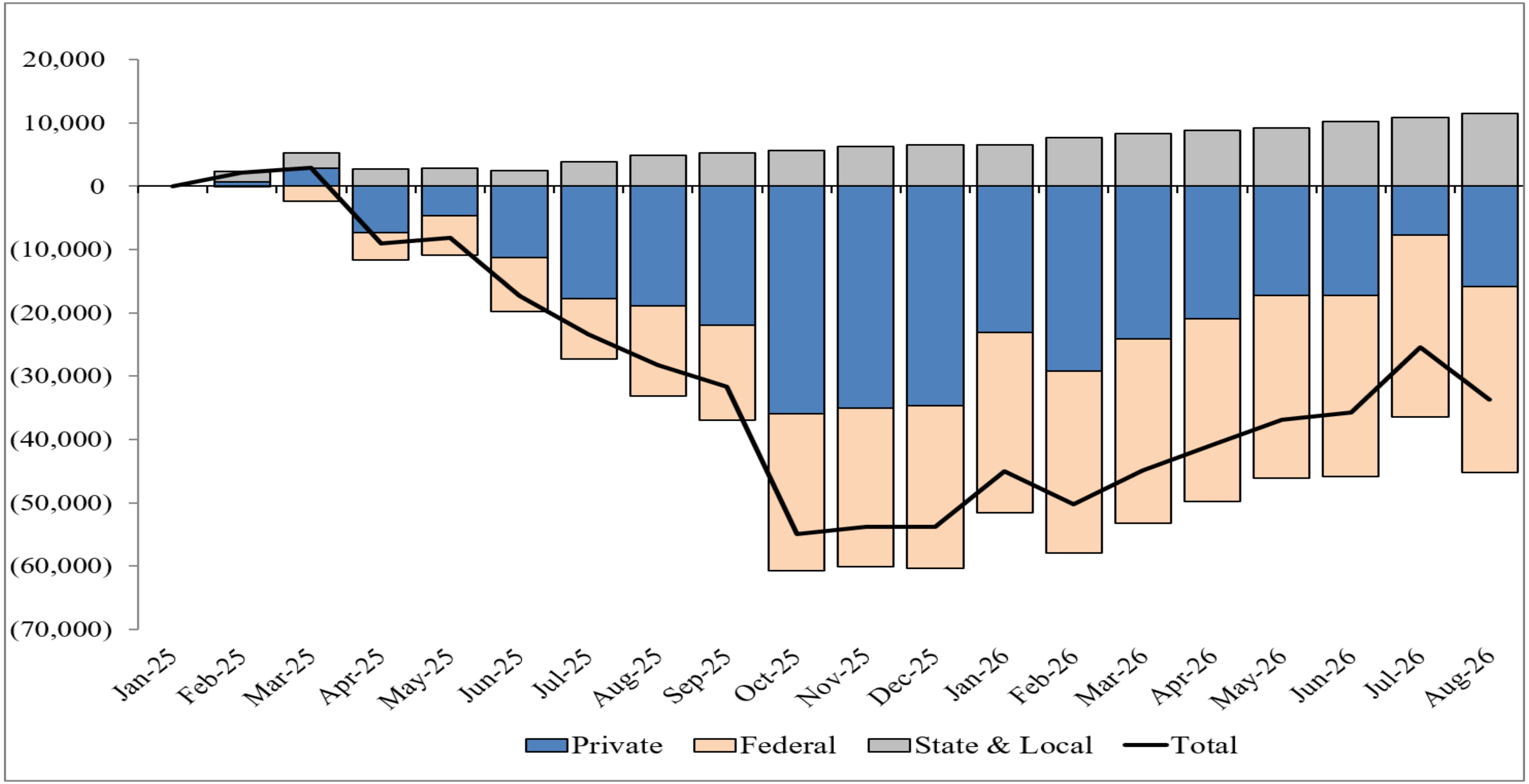
## Comparison of Cumulative Job Losses Since Start of Each Recession




Source: Bureau of Revenue Estimates

# Labor Market Losses have Narrowed in Calendar 2026

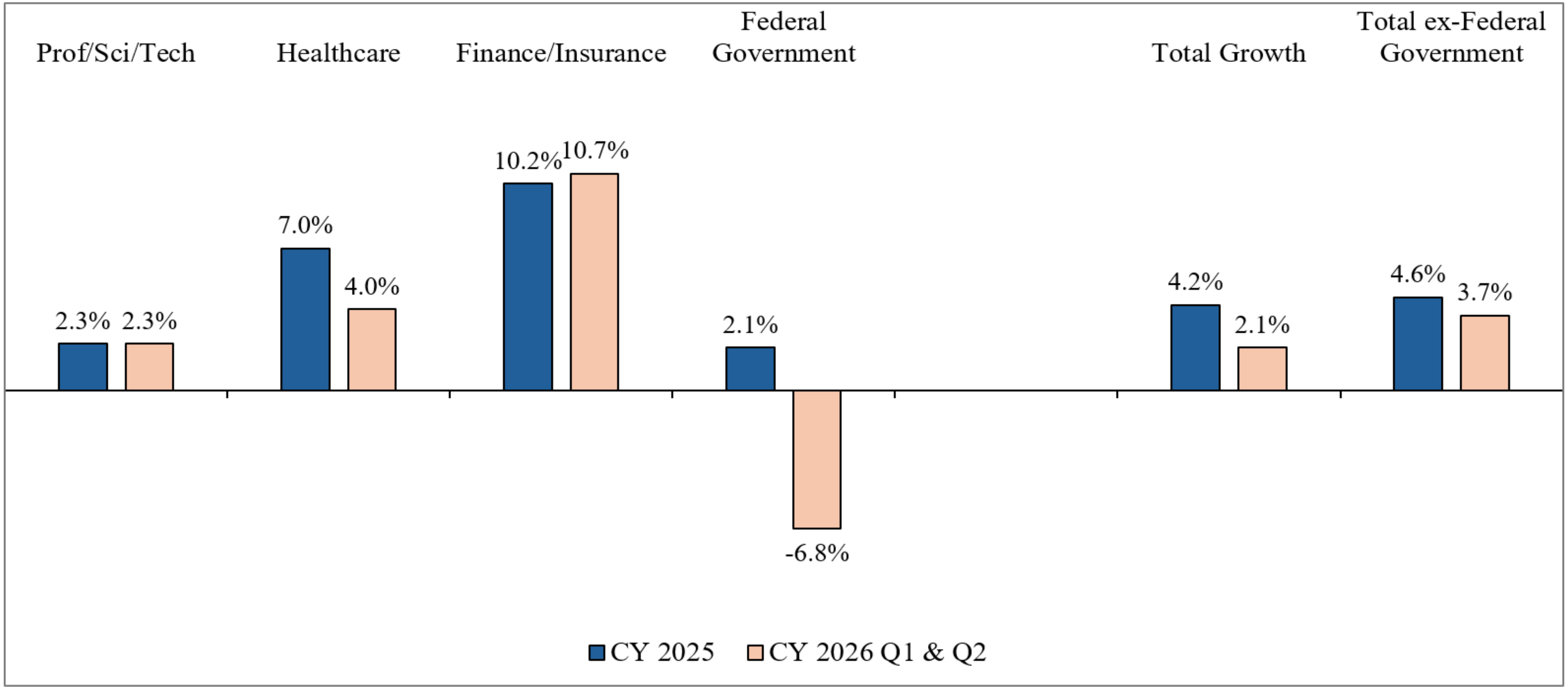
## (Cumulative Employment Change since January 2025)




Source: US Bureau of Labor Statistics

# Withholding Collections have Slowed

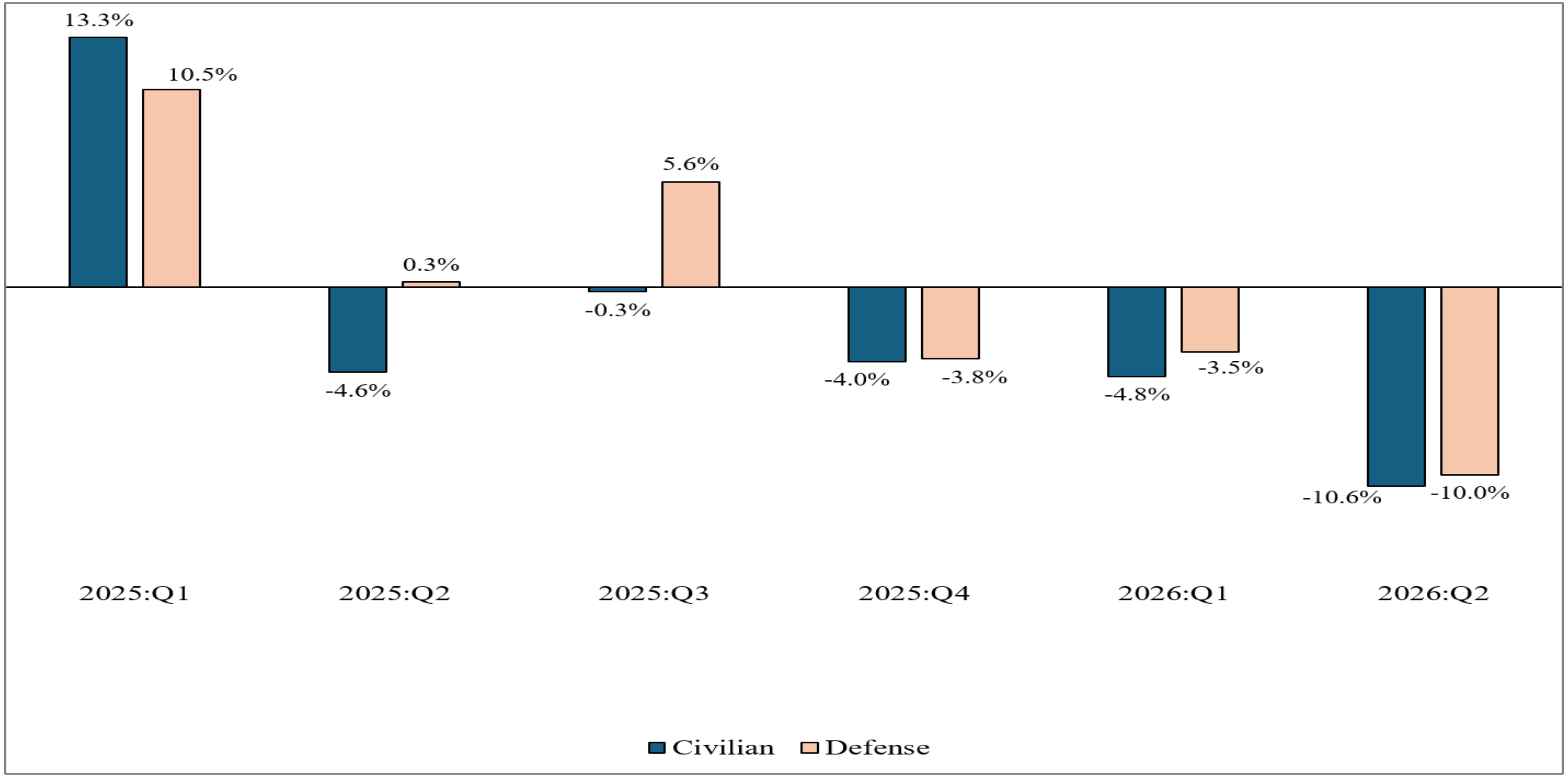
## YoY Percent Change, CY 2025 versus CY 2026 Q1 & Q2




Source: Bureau of Revenue Estimates

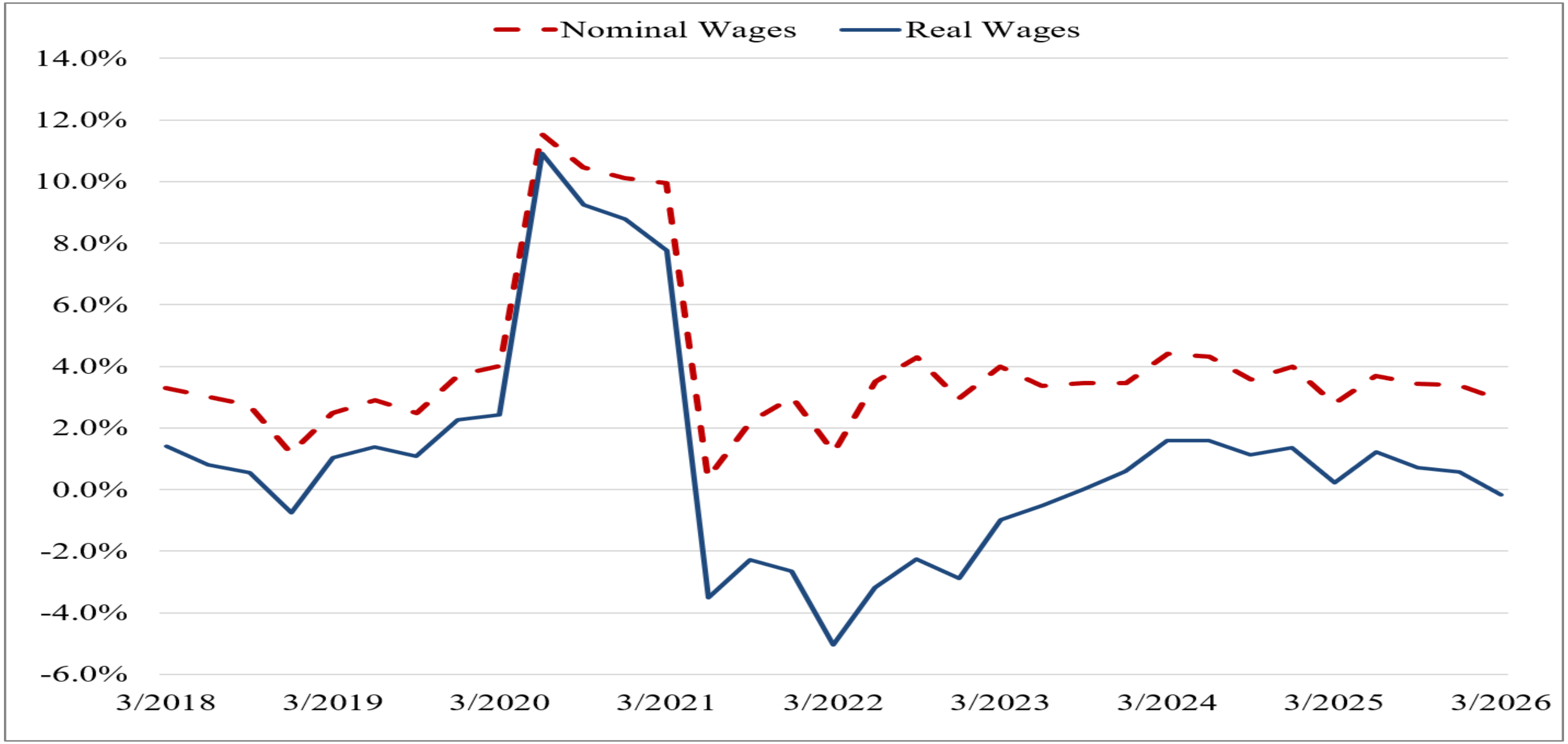
# Federal Government Withholding Collections

## YoY Percent Change by Quarter




Source: Bureau of Revenue Estimates

# Maryland Nominal Wages Hold Steady
# Elevated Inflations Erodes Purchasing Power




Source: Bureau of Revenue Estimates

# Forecast Change Details

# Personal Income Tax

- Personal income tax revenues increased by 9% in FY 2026
  - Strong capital gains growth
    - Second year of double-digit growth in nonwage income
- Withholding income tax increased by 3.1% despite labor market contraction
  - Collections slowed in the latter half of the fiscal year
- Withholding income tax forecast is consistent with March and assumes below trend growth in FY 2027 and return to typical growth rate in FY 2028

# Personal Income Tax, continued

- September forecast delays the correction in capital gains by one year
  - Estimated payments continue to be strong and equity markets have double-digit growth so far this calendar year

# Sales Tax Forecast

- FY 2027 sales tax forecast change reflects four adjustments
- Two adjustments that increase the forecast:
  - Adjusting to the minor over-attainment in FY 2026
  - A modest increase in the “core” sales tax growth from 1.5% to 2.1%
- This increase is offset by two adjustments that decrease the forecast:
  - The Potomac Edison case:
    - A one-time reduction of $280 million due to refund
    - Ongoing GF loss of a little more than $15 million

# Sales Tax Forecast, continued

- A reduction of the IT/Data Services tax estimate

# Other Revenues

- The forecast increases revenues from most other sources, leading to a net increase of a little more than $250 million in FY 2026
  - Interest income and miscellaneous revenues account for most of this increase
- Other revenues decrease in FY 2027 primarily due to a decrease in estate tax revenues and an increase in lottery distributions for capital projects

# Forecast Summary and Risks

- The forecast is a modest increase that incorporates:
  - Better-than-expected revenues in FY 2026
  - A largely unchanged economic forecast
  - A capital gains correction in TY 2027
  - Adjustments that reflect the recent court case and changes to revenues that are less connected to the economy
- Fewer forecast uncertainties than last September but risks persist including:
  - Rising interest rates and elevated inflation

# Forecast Summary and Risks, continued

- Potential additional federal spending and employment reductions
- Nonwage income, as always

# Table 4: Maryland General Fund Revenues
# Fiscal Years 2026 – 2028

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

| Revenue Source | FY 2026 Official Estimate[1] | FY 2026 Actual | FY 2026 Difference | FY 2027 Current Estimate[1] | FY 2027 September Revision | FY 2027 Difference | FY 2027 Growth | FY 2028 September Estimate | FY 2028 Growth |
|---|---|---|---|---|---|---|---|---|---|
| **Income Taxes** | | | | | | | | | |
| Individual | 15,617,891 | 15,872,800 | 254,909 | 15,918,234 | 16,181,933 | 263,699 | 1.9% | 16,553,166 | 2.3% |
| Corporation | 1,642,788 | 1,778,110 | 135,322 | 1,771,616 | 1,772,380 | 764 | -0.3% | 1,950,733 | 10.1% |
| Total | 17,260,680 | 17,650,910 | 390,230 | 17,689,851 | 17,954,314 | 264,463 | 1.7% | 18,503,899 | 3.1% |
| **Sales and Use Taxes** | 6,430,047 | 6,477,862 | 47,815 | 6,592,277 | 6,395,291 | (196,986) | -1.3% | 6,796,345 | 6.3% |
| **State Lottery Receipts** | 542,729 | 538,419 | (4,310) | 460,139 | 448,064 | (12,074) | -16.8% | 442,458 | -1.3% |
| **Other Revenues** | | | | | | | | | |
| Business Franchise Taxes | 286,330 | 304,076 | 17,746 | 291,520 | 305,589 | 14,069 | 0.5% | 311,295 | 1.9% |
| Insurance Premium Tax | 828,315 | 805,464 | (22,851) | 819,186 | 822,304 | 3,118 | 2.1% | 837,272 | 1.8% |
| Estate and Inheritance Taxes | 584,536 | 600,994 | 16,458 | 279,702 | 297,227 | 17,525 | -50.5% | 304,819 | 2.6% |
| Tobacco Taxes | 262,199 | 276,269 | 14,070 | 251,796 | 262,574 | 10,779 | -5.0% | 321,225 | 22.3% |
| Alcoholic Beverages Excise Tax | 39,498 | 39,424 | (74) | 39,794 | 39,930 | 136 | 1.3% | 40,484 | 1.4% |
| District Courts | 37,897 | 40,154 | 2,257 | 37,000 | 39,231 | 2,231 | -2.3% | 38,384 | -2.2% |
| Clerks of the Court | 27,320 | 28,435 | 1,115 | 27,967 | 27,924 | (42) | -1.8% | 28,840 | 3.3% |
| Hospital Patient Recoveries | 80,935 | 93,240 | 12,305 | 80,935 | 90,935 | 10,000 | -2.5% | 90,935 | 0.0% |
| Interest on Investments | 275,000 | 323,111 | 48,111 | 100,000 | 250,000 | 150,000 | -22.6% | 125,000 | -50.0% |

# Table 4: Maryland General Fund Revenues
# Fiscal Years 2026 – 2028
# Continued

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

| Revenue Source | FY 2026 Official Estimate[1] | FY 2026 Actual | FY 2026 Difference | FY 2027 Current Estimate[1] | FY 2027 September Revision | FY 2027 Difference | FY 2027 Growth | FY 2028 September Estimate | FY 2028 Growth |
|---|---|---|---|---|---|---|---|---|---|
| **Other Revenues, continued** | | | | | | | | | |
| Miscellaneous | 404,875 | 440,934 | 36,058 | 397,661 | 455,421 | 57,760 | 3.3% | 458,917 | 0.8% |
| Sports Wagering | 28,004 | 32,607 | 4,603 | 28,477 | 27,417 | (1,060) | -15.9% | 29,999 | 9.4% |
| Total | 2,854,908 | 2,984,708 | 129,800 | 2,354,036 | 2,618,552 | 264,516 | -12.3% | 2,587,168 | -1.2% |
| **Total Current Revenues** | 27,088,365 | 27,651,900 | 563,535 | 27,096,303 | 27,416,220 | 319,918 | -0.9% | 28,329,870 | 3.3% |
| Extraordinary Revenues[2] | 380,000 | 380,000 | 0 | 0 | 0 | 0 | -100.0% | 0 | N/A |
| Transfer Tax | 25,000 | 25,000 | 0 | 25,000 | 25,000 | 0 | 0.0% | 25,000 | 0.0% |
| Revenue Volatility Cap | 0 | 0 | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| **GRAND TOTAL[3]** | 27,493,365 | 28,056,900 | 563,535 | 27,121,303 | 27,441,220 | 319,918 | -2.2% | 28,354,870 | 3.3% |

*Note:*

*[1] The 2026 Legislative Session resulted in an additional $374.8 million in estimated revenues beyond the March 2026 official estimate; this table has been adjusted accordingly.*

*[2] A total of $380.0 million from the local income tax reserve account is being recognized as revenue pursuant to the 2026 Budget Reconciliation and Financing Act of 2026.*

*[3] In FY 2026, $392.2 million was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.*

*Board of Revenue Estimates, September 24, 2026*

# Thank You

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Comptroller of Maryland

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