FREE REFERENCE

Maryland business taxes, explained for 2026

Small businesses in Maryland register with the state revenue agency for income tax withholding and sales tax, and with the Maryland Department of Labor, Unemployment Insurance for unemployment tax. Maryland has income tax rates from 2% to 6.5%, a 6% state sales tax and a $8,500 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** Income tax rates from 2% to 6.5% for 2026
- **Sales tax.** 6% state rate, about 6% combined with local
- **Unemployment.** Employers pay Maryland unemployment tax on the first $8,500 of each worker's 2026 wages

What taxes does a small business pay in Maryland?

Most Maryland businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Maryland?

Before your first payroll in Maryland:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Maryland withholding account with the Maryland revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Maryland Department of Labor, Unemployment Insurance. For 2026, the tax applies to the first $8,500 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Maryland's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Maryland sales tax permit?

If you sell taxable goods or services in Maryland, yes. Register with the Maryland revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Maryland's economic nexus threshold.

SALES TAX IN MARYLAND, MIDYEAR 2026	RATE
State rate	6%
Average local rate	0%
Average combined rate	6%
Highest local rate	0%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Maryland tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Maryland income tax on it at the personal rates: income tax rates from 2% to 6.5%. Maryland allows a standard deduction of $3,350 single and $6,700 joint, a personal exemption of $3,200 single and $6,400 joint and $3,200 for each dependent. Every Maryland county and Baltimore City adds a local income tax, from 2.25% to 3.3%. 3.2% is Baltimore City.

Estimate yours with the Maryland income tax calculator.

Where are Maryland's tax forms and refund status?

- Maryland tax forms
- Maryland revenue agency
- Maryland refund status
- Maryland Department of Labor, Unemployment Insurance

Every state's links are on our state tax forms page.

Which calculators work for Maryland?

- Maryland paycheck calculator: take-home pay after every deduction
- Maryland income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Maryland unemployment

Common questions

Do I need a sales tax permit in Maryland?

Yes, if you sell taxable goods or services there. Register with the Maryland revenue agency before your first taxable sale.

What is the Maryland unemployment wage base for 2026?
$8,500. Employers pay Maryland unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Maryland have a state income tax?
Yes. Maryland has income tax rates from 2% to 6.5% for 2026.

Who runs payroll taxes in Maryland?
The Maryland revenue agency handles income tax withholding, and the Maryland Department of Labor, Unemployment Insurance handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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