POLICY SPOTLIGHT

Reversing Maryland's Outmigration

Tax, housing, and labor reforms to grow the state

JACK SALMON | SEPTEMBER 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among the states. Maryland ranked 42nd in net interstate migration, losing nearly 106,000 residents and over $10 billion in income.[1] Research suggests taxes, economic freedom, and housing supply are key factors behind the state's migration outcomes. Maryland faces competitive pressure on those fronts with its high tax burden, barriers to flexible work, and restrictive housing policies.

Tax Policy Reforms

The competitive landscape

While its neighbors have been cutting taxes or adopting flat tax systems, Maryland has been raising taxes across the board. Lower tax burdens are a pull factor for interstate movers, particularly those leaving high-tax states.

West Virginia	Reduced top income tax rate from 5.12% to 4.58%, with further reductions based on revenue triggers.
Pennsylvania	Flat income tax rate of 3.07%. Phasing down corporate tax rate to 4.99%.
Maryland	Recently raised top income tax rate to 6.5%, with 2% capital gains surcharge. Local income taxes up to 3.3%. Corporate rate of 8.25%.

Recommended reforms

- **Abolish the new capital gains surcharge, and cap county income taxes.** The surcharge could encourage residents and capital to leave Maryland.
- **Lower the corporate tax rate to restore competitiveness.** Maryland's 8.25% rate exceeds Virginia's 6% and West Virginia's 6.5%, making the state less attractive to businesses and entrepreneurs.

[1] See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

- **Allow full expensing and raise the expensing limit** from $25,000 to $1 million. This would align with federal tax law and the standard in most states.
- **Phase down or abolish the estate and inheritance taxes,** with rates up to 16% and 10%, respectively. Lowering or eliminating these taxes will help stem the outflow of high-net-worth residents.

Housing Policy Reforms

The supply gap

Maryland issues fewer than 3 housing permits per 1,000 residents annually—the 16th-lowest rate in the country. Tight supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes Maryland's attractiveness relative to peer states. The barriers are not primarily financial, but regulatory. Slow permitting processes impose costs on developers that further raise the cost of final housing products.

Recommended reforms

- **Enable minimum lot size reductions.** Minimum lot sizes are a major driver of high housing costs because they require that homes be built on excessive amounts of land. This reform was included in the governor's 2026 Starter and Silver Homes Act.
- **Support third-party reviews by licensed engineers.** Maryland should allow applicants statewide to use licensed engineers for plan reviews, thereby reducing permitting delays and associated costs while maintaining building and safety standards.
- **Eliminate mandatory off-street parking requirements.** Building on its 2026 reforms near rail transit, Maryland should end parking requirements to lower housing costs and encourage infill development.

Labor Market Freedom Reforms

The licensing burden

Maryland licenses 58 of 102 lower-income occupations studied, compared with 50 in Pennsylvania and 42 in Delaware, and ranks 9th nationally in licensing burden. It is also one of 22 states without universal licensing recognition, with 167 barriers and 133 license requirements, according to the Archbridge Institute.

The portable benefits gap

In 2025, Maryland launched a portable benefits pilot program allowing companies to contribute benefits without changing a worker's independent contractor status. About 74% of participating workers reported feeling more financially secure, and 72% gained access to benefits they did not have before. The model lets workers keep their freedom to choose when and where they work while still collecting workplace benefits.

Recommended reforms

- **Enact universal license recognition.** Maryland should join 28 other states in recognizing out-of-state licenses. Virginia has the gold-standard recognition rule that Maryland could replicate.
- **Enact portable benefits legislation.** Allow workers to create portable benefits accounts while enabling firms to contribute without triggering worker reclassification rules. This would build on the successful portable benefits pilot program that the governor's office helped launch in 2025.

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