



February 5, 2026

Economic Matters Committee
Delegate Kriselda Valderrama
230 Taylor
House Office Building
Annapolis, Maryland 21401

Re: HB 0188 – Unemployment Insurance Modernization Act of 2026 - Oppose

Dear Delegate Valderrama:

HB 0188 seeks to increase the Unemployment Insurance Trust Fund, by ramping up UI tax rates beginning in 2027.

At any point in time, increasing business taxes has tangibly negative consequences, including:

- **Discourages Hiring and Growth:** Higher payroll taxes increase the cost of labor, which can discourage businesses from hiring new employees, particularly when the economy is in recovery.
- **Imposes Costs During Downturns:** Because tax rates often rise automatically when trust funds are low, businesses may face increased financial pressure precisely when they can least afford it, such as during a recession.
- **Reduces Business Competitiveness:** Increased taxes reduce profitability, which may force businesses to cut costs elsewhere, such as by lowering wages or reducing investment.
- **Burden on Specific Sectors:** Industries that are cyclical (e.g., construction, retail) or have higher turnover may bear a disproportionate share of the tax increase, potentially causing further layoffs.
- **Administrative Hurdles:** For employers, managing unexpected or rising state unemployment tax (SUTA) rates requires significant compliance management and budgeting.
- **Hiring Disincentives:** Economic research indicates that higher UI tax rates can act as a "hangover" effect; after a recession, these higher rates may discourage businesses from hiring new workers during an economic rebound.
- **Regressive Nature for Low-Wage Roles:** Because SUI taxes apply only to a specific "wage base" they represent a higher percentage of the total labor cost for low-wage workers compared to high-wage workers.

For small and mid-sized businesses, which are the majority in the state of Maryland, effects of such actions are more serious:

- **Cash Flow Vulnerability:** Small businesses typically operate on thinner margins and are more sensitive to immediate increases in the **taxable wage base**. A sudden hike—such as the increase to **\$17,600** in New York for **2026**—can disrupt planned expansions or equipment investments.

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- **Hiring Friction:** Higher SUI costs often discourage small firms from hiring full-time staff, leading some to rely on contractors or freelancers to avoid tax obligations.
- **Experience Rating Volatility:** Because of their small workforce, a single unemployment claim can drastically spike a small employer's **experience rating**. For instance, a Texas employer at the maximum rate pays **\$11,376** for 20 employees, compared to just **\$4,860** at the standard rate.
- **Cost of Turnover:** SUI taxes restart for every new hire once the wage base cap is hit. Small businesses with high turnover pay significantly more per position than those with stable long-term staff.

Maryland has ranked low on economic competitiveness for many years. A new study by WalletHub ranks Maryland as the second worst state in the nation to start a business, just ahead of Rhode Island.

The study which was recently released, evaluated states based on their business climate, access to resources and operational costs. Given Maryland's soaring corporate tax rate, economist Anirban Basu is not surprised by Maryland's ranking.

Maryland ranks second worst state to start a business; "The overall business climate is quite poor," he said. He also noted that high property taxes increase the cost of office space and apartment rentals, offering little value for businesses. The study also revealed that the top five business-friendly states are experiencing multi-billion dollar surpluses, while Maryland and other low-ranking states are struggling with significant budget deficits. The burden on taxpayers is growing, with some expressing a desire to leave the state.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, opposes this bill. We therefore request that you give this bill an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Mike McMullin".

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson
Senator Justin Ready