



Economic Effects of the Maryland Minimum Wage Increase

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Executive Summary

This report forecasts the economic impact of the Maryland Minimum Wage Increase (SB 886). The legislation would raise the state minimum wage from the current rate of \$15 per hour to \$25.00 per hour by 2032 for small businesses and by 2030 for all other businesses. In addition, the tipped minimum wage is eliminated by 2032 for all businesses. After 2030 and 2032 respectively, the minimum wage will increase annually, indexed to the rate of inflation.

The implementation of the minimum wage beginning in 2026 is estimated to cause Maryland to lose up to 84,000 jobs and lead to a loss of \$15 billion in economic output by 2035. Small businesses (<500 employees) would bear 50% of job losses. The proposed minimum wage increase disproportionately impacts two industries - retail/wholesale trade and construction. These industries were most impacted due to their large shares of employees in the state (over 600K jobs) and roughly 20% of these employees impacted by the proposed wage increase. About 21,000 jobs lost by 2035 are attributed to these two industries, 25% of the total job loss.

This economic impact analysis uses the Business Size Impact Model (BSIM), a variation of the PI+ model developed by Regional Economic Models, Inc. (REMI) that accounts for differences among U.S. businesses differentiated by employee-size-of-firm. BSIM is a dynamic, multi-region model of the U.S. economy consisting of an input-output framework that uses a general equilibrium methodology to forecast the estimated economic impact of proposed policy and legislative action. The model simulates the impact of the mandate over a 10-year period from 2026 to 2035.

Summary of Maryland Minimum Wage Increase

The Maryland Minimum Wage Increase (SB 886) would raise the state minimum wage from the current rate of \$15 per hour to \$25.00 per hour by 2032 for small businesses and by 2030 for other businesses with fixed increments; after which it will be tied to the rate of inflation. Minimum wage increases in subsequent years would be calculated to the nearest cent by the Executive Office of Labor and Workforce Development based on national price inflation and

published on September 30 of the previous year. After 2030 and 2032, the tipped minimum wage will also be eliminated for all businesses.

Table 1: Proposed Minimum Wage Schedules (Projected values highlighted red)

Wage Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Small Business	\$15.00	\$16.50	\$18.00	\$19.50	\$22.00	\$23.50	\$25.00	\$25.51	\$26.01	\$26.52
Other Businesses	\$15.00	\$17.00	\$20.00	\$22.50	\$25.00	\$25.49	\$25.97	\$26.51	\$27.02	\$27.55
Tipped Wage	\$3.63	\$12.00	\$13.50	\$15.00	\$16.50	\$16.82	\$17.14	\$17.49	\$17.83	\$18.18

Modeling an Maryland Minimum Wage Increase

We estimated several key factors for each business sector, including: hourly worker employment, wage distribution (including workers earning exactly at minimum wage or earning a cash wage), and average annual hours worked. Additionally, the analysis allowed for the presence of “emulation effects” for non-tipped workers, in which employees earning at or just above the new minimum wage also receive increases in their hourly pay so as to maintain the relative compensation structure within firms. In addition, we created two tiers of minimum wage increases, one for business sizes of 1-4, 5-9, and 10-19 (firm size segmentations available in REMI) and then the others. This is to account for firm size segmentation in the proposed bill. The bill sets two timelines in the implementation of the minimum wage increase - one for businesses with 15 employees or less that establishes a longer implementation timeframe and another that is shorter for all other businesses.

The number of workers assumed to be affected by this phenomenon was scaled conservatively by the size of the increase in the minimum wage. Finally, we added 7.65% to the estimated aggregate increase in wages in order to account for employers’ federal payroll tax obligation.

Key assumptions

1. Employee works 50 weeks in a given year. This is used to calculate median hourly wages from REMI income data and BLS data on hours worked.
2. Overtime hours are not factored in. Salary increases are calculated off the wage change, hours worked, and weeks worked.
3. State-level wage distribution data were used for all industries in Maryland and then adjusted based on industry-level employment data.

Data Sources used:

1. REMI baseline data for incomes by sector
2. REMI baseline data for employment by sector and further by business size

3. BLS Data on minimum wage employment and total employment
4. BLS wage and income distribution data based on states and sector

Results of the Economic Impact of Maryland Minimum Wage Increase Mandate

According to the modeling framework described above, the BSIM model forecasts that increasing the minimum wage would have multiple countervailing effects on the Maryland economy. It would raise wages for many employed workers, increasing consumer spending, and thereby creating additional demand for many in-state businesses. However, it would also raise labor costs for many businesses, negatively impacting the state’s economic competitiveness and increasing consumer prices. Our analysis found that the latter effect would outweigh the former by a large margin, leading to lower levels of employment and economic output, as illustrated in Tables 1 and 2, respectively. Table 2 shows that Maryland will see a small job loss of 1,000 jobs in 2026, which only grows in size as the minimum wage increases over time, leading to an estimated 84,000 jobs lost by 2035. Furthermore, just over 42,000 jobs, or 50% of those jobs are in small businesses, which are considered to be firms with less than 500 employees. In terms of economic output, there is a negative impact of over \$15 billion, with 50% of the loss attributed to small businesses. Retail/wholesale trade and construction are disproportionately impacted because they account for a large share of total employees in the state (over 600K jobs), and 20% of these employees are affected by the higher minimum wage. Roughly 21K jobs were lost in retail/wholesale and construction industries by 2035, which account for 25% of the total job loss.

Table 1 – Employment Impacts

Firm Size	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Percent of Total (2035)
1-4 Employees	-45	-307	-748	-1,454	-2,155	-2,829	-3,283	-3,669	-4,009	-4,308	5.1%
5-9 Employees	-46	-331	-808	-1,571	-2,331	-3,054	-3,532	-3,935	-4,289	-4,597	5.5%
10-19 Employees	-56	-406	-1,015	-1,980	-2,970	-3,902	-4,521	-5,043	-5,502	-5,902	7.1%
20-99 Employees	-214	-1,467	-3,422	-5,970	-7,908	-9,774	-11,326	-12,636	-13,786	-14,792	17.7%
100-499 Employees	-161	-1,281	-2,945	-5,118	-6,764	-8,316	-9,606	-10,686	-11,632	-12,458	14.9%
500 + Employees	-575	-4,514	-10,271	-17,905	-23,466	-28,485	-32,631	-36,067	-39,053	-41,639	49.8%
< 20 Employees	-147	-1,044	-2,571	-5,005	-7,456	-9,785	-11,336	-12,647	-13,800	-14,807	17.7%

< 100 Employees	-361	-2,511	-5,993	-10,975	-15,364	-19,559	-22,662	-25,283	-27,586	-29,599	35.4%
< 500 Employees	-522	-3,792	-8,938	-16,093	-22,128	-27,875	-32,268	-35,969	-39,218	-42,057	50.2%
All Firms	-1,097	-8,306	-19,209	-33,998	-45,594	-56,360	-64,899	-72,036	-78,271	-83,696	100.0%
<i>*Units: Jobs. Impacts reported for private non-farm industries only. Totals and percentages may not correspond to impacts due to rounding.</i>											

Table 2 – Economic Output Impacts

Firm Size	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Percent of Total (2035)
1-4 Employees	-6.0	-53.0	-120.0	-231.0	-342.0	-455.0	-532.0	-599.0	-658.0	-710.0	4.8%
5-9 Employees	-6.0	-51.0	-120.0	-237.0	-357.0	-475.0	-557.0	-627.0	-688.0	-742.0	5.0%
10-19 Employees	-7.0	-63.0	-153.0	-305.0	-465.0	-623.0	-731.0	-824.0	-905.0	-977.0	6.6%
20-99 Employees	-35.0	-255.0	-570.0	-995.0	-1,343.0	-1,686.0	-1,974.0	-2,223.0	-2,439.0	-2,629.0	17.6%
100-499 Employees	-32.0	-250.0	-550.0	-958.0	-1,283.0	-1,595.0	-1,855.0	-2,077.0	-2,270.0	-2,439.0	16.4%
500 + Employees	-101.0	-779.0	-1,732.0	-3,041.0	-4,044.0	-4,964.0	-5,722.0	-6,364.0	-6,920.0	-7,407.0	49.7%
< 20 Employees	-19.0	-167.0	-393.0	-773.0	-1,164.0	-1,553.0	-1,820.0	-2,050.0	-2,251.0	-2,429.0	16.3%
< 100 Employees	-54.0	-422.0	-963.0	-1,768.0	-2,507.0	-3,239.0	-3,794.0	-4,273.0	-4,690.0	-5,058.0	33.9%
< 500 Employees	-86.0	-672.0	-1,513.0	-2,726.0	-3,790.0	-4,834.0	-5,649.0	-6,350.0	-6,960.0	-7,497.0	50.3%
All Firms	-187.0	-1,451.0	-3,245.0	-5,767.0	-7,834.0	-9,798.0	-11,371.0	-12,714.0	-13,880.0	-14,904.0	100.0%
<i>*Units: Millions of Fixed Local 2025 Dollars. Impacts reported for private non-farm industries only. Totals and percentages may not correspond to impacts due to rounding.</i>											