

Chapter 315

(Senate Bill 163)

AN ACT concerning

**Income Tax – Addition Modification for Federal Tax-Exempt Income –
~~Alterations~~ Study**

FOR the purpose of ~~providing that~~ requiring the Office of the Comptroller, on or before a certain date, to study and report to the Governor and the General Assembly regarding certain matters related to an addition modification under the Maryland income tax for certain income exempt from federal tax by federal law or treaty but not State tax ~~does not apply to certain foreign earned income~~; and generally relating to ~~the calculation of Maryland adjusted gross income and~~ a study on the taxation of federal tax-exempt income.

~~BY repealing and reenacting, without amendments,
Article – Tax – General
Section 10-204(a)
Annotated Code of Maryland
(2022 Replacement Volume and 2025 Supplement)~~

~~BY repealing and reenacting, with amendments,
Article – Tax – General
Section 10-204(e)(1)
Annotated Code of Maryland
(2022 Replacement Volume and 2025 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That ~~the Laws of Maryland read as follows:~~ on or before December 1, 2026, the Office of the Comptroller shall study and report to the Governor and, in accordance with § 2-1257 of the State Government Article, the General Assembly regarding:

(1) the number of residents who have foreign earned income within the meaning of § 911(b)(1) of the Internal Revenue Code;

(2) the number of residents who have foreign earned income that exceeds the limitation under § 911(b)(2) of the Internal Revenue Code and the aggregate amount of that income; and

(3) the countries from which the residents described under items (1) and (2) of this section earned foreign earned income within the meaning of § 911(b) of the Internal Revenue Code.

~~Article – Tax – General~~

~~10-204.~~

~~(a) To the extent excluded from federal adjusted gross income, the amounts under this section are added to the federal adjusted gross income of a resident to determine Maryland adjusted gross income.~~

~~(e) (1) (I) THIS PARAGRAPH DOES NOT APPLY TO FOREIGN EARNED INCOME WITHIN THE MEANING OF § 911(B)(1) OF THE INTERNAL REVENUE CODE, SUBJECT TO THE LIMITATION UNDER § 911(B)(2) OF THE INTERNAL REVENUE CODE.~~

~~(H) If exempted by federal law or by treaty from federal but not State tax on income, the addition under subsection (a) of this section includes salary, wages, or other compensation for personal services.~~

~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2026, and shall be applicable to all taxable years beginning after December 31, 2025.~~

Approved by the Governor, April 28, 2026.