

# HOUSE BILL 694

Q3

6lr3443  
CF SB 163

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By: **Delegate Bhandari**

Introduced and read first time: February 2, 2026

Assigned to: Ways and Means

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 2026

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

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

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

11 ~~BY repealing and reenacting, without amendments,~~  
12 ~~Article – Tax – General~~  
13 ~~Section 10–204(a)~~  
14 ~~Annotated Code of Maryland~~  
15 ~~(2022 Replacement Volume and 2025 Supplement)~~

16 ~~BY repealing and reenacting, with amendments,~~  
17 ~~Article – Tax – General~~  
18 ~~Section 10–204(e)(1)~~  
19 ~~Annotated Code of Maryland~~  
20 ~~(2022 Replacement Volume and 2025 Supplement)~~

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
22 That ~~the Laws of Maryland read as follows:~~ on or before December 1, 2026, the Office of

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 the Comptroller shall study and report to the Governor and, in accordance with § 2-1257  
 2 of the State Government Article, the General Assembly regarding:

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

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

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

11 ~~Article Tax General~~

12 ~~10-204.~~

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

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

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

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
 24 1, 2026, ~~and shall be applicable to all taxable years beginning after December 31, 2025.~~

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.