

HOUSE BILL 801

Q3

6lr3450

By: **Delegate Embry**

Introduced and read first time: February 4, 2026

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Addition Modifications – Business Stock Gains, Fines, Penalties,**
3 **and Bonus Depreciation**

4 FOR the purpose of providing an addition modification under the Maryland income tax for
5 the gain from the sale or exchange of certain small business stock excluded from
6 federal gross income and a certain amount of fines, penalties, and trade or business
7 expenses; providing certain modifications to the federal adjusted gross income of an
8 individual or federal taxable income of a corporation for Maryland income tax
9 purposes relating to certain deductions under the federal income tax for the
10 depreciation of certain property; and generally relating to addition modifications
11 under the Maryland income tax for certain business stock gains and expenses.

12 BY repealing and reenacting, without amendments,
13 Article – Tax – General
14 Section 10–204(a), 10–305(a), and 10–310
15 Annotated Code of Maryland
16 (2022 Replacement Volume and 2025 Supplement)

17 BY adding to
18 Article – Tax – General
19 Section 10–204(m) and (n)
20 Annotated Code of Maryland
21 (2022 Replacement Volume and 2025 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article – Tax – General
24 Section 10–210.1 and 10–305(d)
25 Annotated Code of Maryland
26 (2022 Replacement Volume and 2025 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 That the Laws of Maryland read as follows:

2 **Article – Tax – General**

3 10–204.

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

7 **(M) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY**
8 **GAIN FROM THE SALE OR EXCHANGE OF QUALIFIED SMALL BUSINESS STOCK**
9 **EXCLUDED FROM GROSS INCOME UNDER § 1202 OF THE INTERNAL REVENUE CODE.**

10 **(N) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE**
11 **ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY AMOUNT IN**
12 **EXCESS OF \$50,000 PAID OR INCURRED DURING THE TAXABLE YEAR:**

13 **(I) FOR FINES, PENALTIES, AND OTHER AMOUNTS THAT IS**
14 **REPORTED ON AN INTERNAL REVENUE SERVICE FORM 1098–F OR A**
15 **SUBSTANTIALLY EQUIVALENT FORM; AND**

16 **(II) THAT IS DEDUCTED AS A TRADE OR BUSINESS EXPENSE**
17 **UNDER § 162(F) OF THE INTERNAL REVENUE CODE.**

18 **(2) THE ADDITION UNDER PARAGRAPH (1) OF THIS SUBSECTION**
19 **DOES NOT INCLUDE ANY AMOUNT PAID OR INCURRED AS TAXES DUE OR TO COME**
20 **INTO COMPLIANCE WITH ANY LAW THAT WAS VIOLATED.**

21 10–210.1.

22 (a) (1) In this section the following words have the meanings indicated.

23 (2) “Depreciation” includes any deduction allowed under § 179 of the
24 Internal Revenue Code.

25 (3) “Heavy duty SUV” means a 4–wheeled vehicle that:

26 (i) is manufactured primarily for use on public streets, roads, and
27 highways;

28 (ii) is rated at more than 6,000 but not more than 14,000 pounds
29 gross vehicle weight; and

30 (iii) would be a passenger automobile as defined in § 280F of the

1 Internal Revenue Code if it were rated at 6,000 pounds gross vehicle weight or less.

2 [(4) (i) “Manufacturing entity” means a person conducting or operating
3 a trade or business that is primarily engaged in activities that, in accordance with the
4 North American Industrial Classification System (NAICS), United States Manual, United
5 States Office of Management and Budget, 2012 Edition, would be included in Sector 31, 32,
6 or 33.

7 (ii) “Manufacturing entity” does not include a refiner, as defined in
8 § 10–101 of the Business Regulation Article.]

9 (b) In addition to the modifications under §§ 10–204 through 10–210 of this
10 subtitle, to determine Maryland adjusted gross income of an individual:

11 (1) [(i) except as provided in item (ii) of this item,] an amount is added
12 to or subtracted from federal adjusted gross income to reflect the determination of the
13 depreciation deduction provided under § 167(a) of the Internal Revenue Code and the
14 adjusted basis of property without regard to the additional allowance under § 168(k) of the
15 Internal Revenue Code; [and

16 (ii) item (i) of this item does not apply to property placed in service
17 by a manufacturing entity on or after January 1, 2019;]

18 (2) an amount is added to or subtracted from federal adjusted gross income
19 to determine the net operating loss deduction allowed under § 172 of the Internal Revenue
20 Code without regard to an election under § 172(b)(1)(H) of the Internal Revenue Code for a
21 carryback period of up to 5 years;

22 (3) [(i) except as provided in item (ii) of this item,] an amount is added
23 to or subtracted from federal adjusted gross income to reflect the determination of the
24 maximum aggregate costs that the taxpayer may treat as an expense under § 179 of the
25 Internal Revenue Code for any taxable year without regard to any changes made to that
26 section after December 31, 2002:

27 [1.] (I) increasing above \$25,000 the dollar limitation set
28 forth in § 179(b)(1) of the Internal Revenue Code; or

29 [2.] (II) increasing above \$200,000 the phase-out threshold
30 set forth in § 179(b)(2) of the Internal Revenue Code; [and

31 (ii) item (i) of this item does not apply to property that is placed in
32 service by a manufacturing entity on or after January 1, 2019;]

33 (4) an amount is added to or subtracted from federal adjusted gross income
34 to reflect the recognition of income from discharge of indebtedness and the allowance of any
35 deduction with respect to original issue discount without regard to § 108(i) of the Internal

1 Revenue Code; and

2 (5) an amount is added to or subtracted from federal adjusted gross income
3 to reflect the determination of the depreciation deduction with respect to any heavy duty
4 SUV as if the heavy duty SUV were subject to the limitations of § 280F of the Internal
5 Revenue Code in the same manner as it would be if the vehicle were rated at 6,000 pounds
6 gross vehicle weight or less.

7 10–305.

8 (a) To the extent excluded from federal taxable income, the amounts under this
9 section are added to the federal taxable income of a corporation to determine Maryland
10 modified income.

11 (d) The addition under subsection (a) of this section includes the additions
12 required for an individual under:

13 (1) § 10–204(b) of this title (Dividends and interest from another state or
14 local obligation);

15 (2) § 10–204(c)(2) of this title (Federal tax–exempt income);

16 (3) § 10–204(e) of this title (Oil percentage depletion allowance);

17 (4) § 10–204(i) of this title (Deduction for qualified production activities
18 income);

19 (5) § 10–204(j) of this title (Deduction for costs for security clearance
20 administrative expenses and construction and equipment costs incurred to construct or
21 renovate a sensitive compartmented information facility); [and]

22 (6) § 10–204(l) of this title (Deduction for donations to qualified permanent
23 endowment funds);

24 **(7) § 10–204(M) OF THIS TITLE (GAIN FROM THE SALE OR EXCHANGE**
25 **OF QUALIFIED SMALL BUSINESS STOCK); AND**

26 **(8) § 10–204(N) OF THIS TITLE (DEDUCTION FOR RESTITUTION).**

27 10–310.

28 In addition to the modifications under §§ 10–305 through 10–309 of this subtitle, to
29 determine Maryland modified income the federal taxable income of a corporation shall be
30 adjusted as provided for an individual under § 10–210.1 of this title.

31 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July

1 1, 2026, and shall be applicable to all taxable years beginning after December 31, 2025.