

# SENATE BILL 163

Q3

6lr1302

(PRE-FILED)

---

By: **Senator West**

Requested: October 22, 2025

Introduced and read first time: January 14, 2026

Assigned to: Budget and Taxation

---

## A BILL ENTITLED

1 AN ACT concerning

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

4 FOR the purpose of providing that an addition modification under the Maryland income  
5 tax for certain income exempt from federal tax by federal law or treaty but not State  
6 tax does not apply to certain foreign earned income; and generally relating to the  
7 calculation of Maryland adjusted gross income and taxation of federal tax-exempt  
8 income.

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

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

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
20 That the Laws of Maryland read as follows:

21 **Article – Tax – General**

22 10–204.

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(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.

(c) (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.**

**(II)** 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.