

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 411

(Delegate Buckel, *et al.*)

Ways and Means

Income Tax - Standard Deduction - Alteration

This bill increases the Maryland standard deduction to \$4,100 (\$8,200 for joint filers, heads of household, and qualified surviving spouses) for tax year 2026. For tax years after 2026, the enhanced standard deduction amounts are subject to annual cost-of-living adjustments in accordance with existing provisions. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$149.6 million in FY 2027; future years reflect annualization and projected income growth. The Comptroller's Office can implement the bill's change with existing budgeted resources.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$149.6)	(\$115.2)	(\$119.6)	(\$124.3)	(\$128.9)
Expenditure	0	0	0	0	0
Net Effect	(\$149.6)	(\$115.2)	(\$119.6)	(\$124.3)	(\$128.9)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local income tax revenues decrease by an estimated \$88.2 million in FY 2027, \$67.9 million in FY 2028, and by similar amounts annually thereafter. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The Budget Reconciliation and Financing Act (BRFA) of 2025 increased the maximum value of the Maryland standard deduction from \$2,800 to \$3,350 (\$5,600 to \$6,700 for joint filers, heads of household, and qualified surviving spouses) for tax year 2025. Consistent with prior law, these amounts are subject to annual cost-of-living adjustments for tax years after 2025. (The standard deduction amounts for tax year 2026 have not yet been announced.) The Act also repealed a provision that limited the allowable standard deduction to 15% of a taxpayer's Maryland adjusted gross income (AGI); thus, for tax year 2025 and beyond, a taxpayer may claim the full value of the standard deduction regardless of income.

The BRFA of 2025 also made changes with respect to itemized deductions. Specifically, the Act requires taxpayers with federal AGI in excess of \$200,000 (\$100,000 if married filing separately) to reduce the amount of their otherwise allowable itemized deductions by an amount equal to 7.5% of federal AGI in excess of the threshold.

State/Local Revenues: State general fund revenues and local income tax revenues decrease significantly beginning in fiscal 2027 due to the bill's enhancement to the standard deduction. **Exhibit 1** displays the bill's estimated effect on State and local revenues in fiscal 2027 through 2031. As shown in the exhibit, in fiscal 2027, State general fund revenues and local income tax revenues decrease by an estimated \$149.6 million and \$88.2 million, respectively, reflecting the effect of tax year 2026 and a portion of tax year 2027. Future years reflect annualization and projected income growth.

Exhibit 1
Effect on State and Local Revenues
Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
State Effect	(\$149.6)	(\$115.2)	(\$119.6)	(\$124.3)	(\$128.9)
Local Effect	(88.2)	(67.9)	(70.5)	(73.3)	(76.0)
Total Effect	(\$237.8)	(\$183.1)	(\$190.1)	(\$197.5)	(\$205.0)

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Moody's Analytics; Department of Legislative Services

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jg/hlb

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