

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 484  
Ways and Means

(Delegate Ziegler, *et al.*)

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Corporate Income Tax - Addition Modification - Direct-to-Consumer  
Pharmaceutical Advertising

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This bill requires an addition modification under the corporate income tax for the amount of any expenses paid or incurred during the tax year that are deducted under Internal Revenue Code (IRC) § 162 for direct-to-consumer advertising of covered drugs. “Covered drug,” as it applies to the addition modification, is a prescription drug product as defined in § 735 of the Federal Food, Drug, and Cosmetic Act (FDCA) or a drug compounded in accordance with § 503A or § 503B of the FDCA. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

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Fiscal Summary

**State Effect:** General fund, Higher Education Investment Fund (HEIF), and Transportation Trust Fund (TTF) revenues increase by an indeterminate but potentially significant amount annually beginning in FY 2027, as discussed below. TTF expenditures for local highway user revenue grants also increase annually beginning in FY 2027. Expenditures are not otherwise affected.

**Local Effect:** Local highway user revenues increase by an indeterminate amount annually beginning in FY 2027. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** “Direct-to-consumer advertising” means any dissemination, by or on behalf of a covered entity, of an advertisement that is in regard to a covered drug and

primarily targeted to the general public, as specified. It does not include an advertisement made through publication in journals and other periodicals. “Covered entity” means (1) a sponsor of a prescription drug product as defined in § 735 of the FDCA or (2) a person that, either directly or indirectly through a subsidiary, owns an outsourcing facility as defined in § 503B of the FDCA.

**Current Law:** Advertising expenses related to an active trade or business are generally deductible as ordinary and necessary business expenses under IRC § 162.

**State Revenues:** General fund, HEIF, and TTF revenues increase by an indeterminate but potentially significant amount annually beginning in fiscal 2027 due to increased corporate income tax liability. Due to data limitations, a precise estimate is not feasible at this time. For context, according to a May 2021 report published by the U.S. Government Accountability Office, drug manufacturers spent about \$6.0 billion annually on direct-to-consumer advertising in 2016 through 2018.

**State Expenditures:** TTF expenditures for local highway user revenue grants increase by an indeterminate amount annually beginning in fiscal 2027.

**Local Revenues:** Local highway user revenues increase by an indeterminate amount annually beginning in fiscal 2027.

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### **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; U.S. Government Accountability Office; CCH AnswerConnect; Internal Revenue Service; Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2026  
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