

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 935

(Senator Corderman, *et al.*)

Budget and Taxation

Income Tax - Subtraction Modification - Donations to Food Banks and Other Charitable Entities

This bill allows an income tax subtraction modification for up to \$1,000 of donations of food or cash designated for the purchase of food made by a taxpayer during the tax year to a Comptroller-registered qualified charitable entity. To qualify for the subtraction, a taxpayer must file with the return the name of each qualified charitable entity to which a donation was made, proof of the value of the donation, and any other information required by the Comptroller. The Comptroller must adopt regulations to carry out the bill's provisions and report to the General Assembly by January 1, 2029, on the bill's effect on donations. **The bill takes effect July 1, 2026, applies to tax years 2026 through 2028, and terminates June 30, 2029.**

Fiscal Summary

State Effect: General fund revenues decrease by an indeterminate but potentially significant amount annually in FY 2027 through 2029. To the extent subtraction modifications are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures also decrease, as may Strategic Energy Investment Fund (SEIF) revenues. General fund expenditures for the Comptroller's Office may increase by \$50,000 to \$100,000 in FY 2027 for one-time programming costs.

Local Effect: Local income tax revenues decrease by an indeterminate but potentially significant amount annually in FY 2027 through 2029. Local highway user revenues also decrease to the extent subtraction modifications are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Qualified charitable entity” means a food bank, homeless shelter, domestic violence shelter, religious organization, or other charitable organization that has registered with the Comptroller as a distributor of food that is provided at no charge to individuals in need.

Current Law: Chapters 221 and 222 of 2021 established a similar subtraction modification for up to \$1,000 of eligible donations of diapers, specified hygiene products, or cash designated for the purchase of these items made by a taxpayer during the tax year to a diaper bank or other qualified charitable entity registered by the Comptroller. The Acts applied to tax years 2021 through 2023 only; Chapter 784 of 2024 extended the program through tax year 2026.

Donations described under the bill are generally deductible as charitable contributions. The federal One Big Beautiful Bill Act permanently reinstates and expands a partial “below-the-line” charitable contribution deduction (deducted after calculation of adjusted gross income) for nonitemizers for tax years after 2025. (A similar deduction was previously available for tax year 2021 under the federal Consolidated Appropriations Act of 2021). The nonitemizer deduction is limited to \$1,000 (\$2,000 for joint returns) and does not flow through to the Maryland income tax return.

State Fiscal Effect: General fund revenues decrease by an indeterminate but potentially significant amount annually in fiscal 2027 through 2029 due to subtraction modifications claimed against the income tax. Due to data limitations, the precise effect cannot be reliably estimated at this time. To the extent subtraction modifications are claimed against the corporate income tax, HEIF and TTF revenues also decrease, as do TTF expenditures for local highway user revenue grants. To the extent subtraction modifications are claimed against the corporate income tax by a corporation that operates a qualified data center, SEIF revenues are also affected.

The Comptroller’s Office estimates one-time contractual programming costs ranging from \$50,000 to \$100,000. Thus, general fund expenditures for the Comptroller’s Office may increase by \$50,000 to \$100,000 in fiscal 2027 only.

Local Effect: Local income tax revenues decrease by an indeterminate but potentially significant amount annually in fiscal 2027 through 2029. The precise effect cannot be reliably estimated at this time. To the extent subtraction modifications are claimed against the corporate income tax, local highway user revenues also decrease.

Additional Information

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

Designated Cross File: HB 903 (Delegate D. Jones, *et al.*) - Ways and Means.

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

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Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510