

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 468
(Senator King)
Budget and Taxation

Income Tax - Local Child Tax Credit - Authorization

This bill authorizes a county to provide by law for a local child tax credit modeled on the State child tax credit. Specifically, a county may provide for a refundable or nonrefundable credit against the county income tax for each qualified child (within the meaning of the State child tax credit) of a taxpayer whose federal adjusted gross income (AGI) is less than \$15,000, if the taxpayer and each qualified child are residents (other than fiduciaries) who are domiciled in or maintain a principal residence or place of abode in the county on the last day of the tax year. A county may provide for the amount of the credit, which must be reduced by \$50 for each \$1,000 (or fraction thereof) by which the taxpayer's federal adjusted gross income exceeds \$15,000. **The bill takes effect June 1, 2026, and applies to tax year 2027 and beyond.**

Fiscal Summary

State Effect: General fund expenditures for the Comptroller's Office may increase by an estimated \$200,000 in FY 2027 or a later year for one-time programming costs. Revenues are not affected.

Local Effect: Local revenues may decrease beginning as early as FY 2028 to the extent counties enact local child tax credits as authorized under the bill, as discussed below. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: State law does not authorize a child tax credit against the county income tax. However, certain low-income taxpayers with one or more qualified children may claim a refundable State income tax credit of up to \$500 per qualified child. A qualified child is a dependent of the taxpayer who is (1) younger than age 6 or (2) younger than age 17 and is a child with a disability (as defined). Eligibility was previously limited to taxpayers with federal AGI of up to \$15,000. The Budget Reconciliation and Financing Act of 2025 modified the credit to gradually phase out the benefit for taxpayers with federal AGI in excess of \$15,000; thus, for tax year 2025 and beyond, taxpayers with federal AGI in excess of \$15,000 may claim the credit for each qualified child at a reduced amount (\$500 reduced by \$50 for each \$1,000 or fraction thereof by which federal AGI exceeds \$15,000). The credit fully phases out for taxpayers with federal AGI in excess of \$24,000.

State Expenditures: General fund expenditures for the Comptroller's Office may increase by an estimated \$200,000 for one-time programming costs in fiscal 2027 or a later year, depending on whether and when the first county adopts a local child tax credit as authorized by the bill.

The Comptroller's Office also advises that the bill necessitates the hiring of one to two contractual attorneys for a period of six months to draft memoranda of understanding with counties that enact local child tax credits, with estimated related costs ranging from about \$90,000 to \$180,000 in fiscal 2027 (assuming a four-month start-up delay from the bill's June 1, 2026 effective date). However, the Department of Legislative Services notes that it is unknown whether and how many counties will enact local child tax credits under the bill and when any such credits will take effect.

Local Revenues: Local revenues may decrease beginning as early as fiscal 2028 to the extent counties enact local child tax credits as authorized under the bill without also enacting offsetting revenue-raising measures. Any such effect depends on the policy decisions of local governments and cannot be reliably predicted.

Additional Information

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

Designated Cross File: HB 363 (Delegate Palakovich Carr) - Ways and Means.

Information Source(s): Comptroller's Office; Anne Arundel, Baltimore, Cecil, Frederick, Montgomery, and Somerset counties; Maryland Association of Counties; Department of Legislative Services

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sj/jrb

Analysis by: Elizabeth J. Allison

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