



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

HOUSE BILL 674 Income Tax - Subtraction Modification - Retirement Income

STATEMENT OF INFORMATION

DATE: February 15, 2024

COMMITTEE: Ways and Means

SUMMARY OF BILL: House Bill 674 alters the State subtraction modification for retirement income by altering the value of the exclusion and expanding the sources of retirement income that are eligible for the exclusion. By tax year 2026, the value of the exclusion is 100% of eligible retirement income, and the change is phased in over three tax years.

EXPLANATION: According to the Bureau of Revenue Estimates (BRE), House Bill 674 would decrease State general fund revenues by \$54.8 million in fiscal 2025. By fiscal 2029, BRE estimates State general fund revenues would decrease by \$711.8 million once the bill's provisions are fully phased in.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long-term. In light of current projected general fund deficits in fiscal 2026 forward, the Department urges caution in passing legislation significantly reducing general fund revenues. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

It would be challenging for the State to manage this revenue loss given the forecasted out-year deficits for the General Fund.

**For additional information, contact Laura Vykol-Gray at
(410) 260-6371 or laura.vykol@maryland.gov**