



HB 323 – Income Tax - Credit for Income Taxes and Penalties Due to Financial Exploitation

Committee: House Ways & Means Committee

Date: February 5, 2026

Position: Favorable

The Maryland Bankers Association (MBA) **SUPPORTS** HB 323. This legislation establishes a targeted income tax credit for Marylanders who withdraw retirement savings to cover losses resulting from financial exploitation. SB 291 ensures that the State tax code does not exacerbate the financial harm already inflicted on vulnerable Marylanders by criminal activity.

Maryland banks play a critical role in identifying, preventing, and reporting financial exploitation. Through ongoing employee training, close customer relationships, and the use of sophisticated fraud-detection technologies, bank employees are well positioned to recognize warning signs of exploitation and to report suspected misconduct to appropriate investigative authorities. However, even when financial exploitation is promptly detected and reported, financial damage may already have occurred, and as a result, victims often face unavoidable financial consequences—including the need to access retirement funds prematurely. Such early withdrawals typically trigger both federal penalties and additional state income tax liability, further compounding the victim’s losses.

The tax credit established in HB 323 is narrowly limited to verified cases of financial exploitation, requiring objective third-party documentation. Additionally, the credit is non-refundable and may not be carried forward, ensuring that relief is focused, controlled, and does not create an ongoing liability for the State. HB 323 appropriately balances compassion for victims with stewardship of public revenues.

Easing the tax consequences following financial exploitation helps victims stabilize their finances, promotes recovery, and reinforces trust in the financial system. Accordingly, MBA urges the issuance of a **FAVORABLE** report on HB 323.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding \$194.8 billion in deposits in over 1,100 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.