

February 16, 2026

The Honorable Delegate Jheanelle K. Wilkins
Chair, House Ways and Means Committee
House Office Building
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Maryland Society of Accounting and Tax Professionals

House Bill 694 - Income Tax – Addition Modification for Federal Tax-Exempt Income – Alterations

Chair Wilkins and Members of the Committee,

The Maryland Society of Accounting and Tax Professionals represents over 1,400 tax and accounting professionals who collectively serve more than 400,000 Maryland taxpayers and small businesses. We respectfully submit this testimony in opposition to House Bill 694.

House Bill 694 creates a new exception to Maryland's income tax addition modification by excluding qualifying foreign earned income from State taxation. While the intent to align State and federal tax treatment is understandable, the bill further narrows Maryland's tax base and adds another carve-out to an already complex system.

From a fiscal standpoint, the bill reduces State revenue while benefiting a relatively small and narrow group of taxpayers. In the context of ongoing budgetary pressures, additional exclusions from taxable income should be carefully evaluated against broader and more equitable tax relief measures.

From an administrative perspective, creating exceptions to Maryland's addition modification framework increases complexity for taxpayers and tax professionals. Determining eligibility requires careful coordination of federal qualification rules, residency determinations, and income sourcing, which may increase audit risk and compliance challenges despite federal conformity.

MSATP generally supports broad-based tax relief that is simple to administer and applies equitably across similarly situated taxpayers. Targeted exclusions, even when aligned with federal provisions, can undermine tax neutrality and create uneven outcomes among Maryland residents with comparable income levels.

We encourage the Committee to consider whether broader tax policy tools, such as adjustments to the standard deduction or rate structure, would provide more consistent relief without further fragmenting the tax code.

For these reasons, the Maryland Society of Accounting and Tax Professionals respectfully urges an Unfavorable Report on House Bill 694.

Respectfully Submitted,

Giavante Hawkins
Giavante' Hawkins

