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The Honorable Delegate Jheanelle K. Wilkins
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Maryland Society of Accounting and Tax Professionals

House Bill 707 - Income Tax – Subtraction Modification – Retirement Income

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 707.

House Bill 707 represents a substantial expansion of Maryland's income tax subtraction for retirement income, ultimately allowing for the full exclusion of most retirement income from State taxation. While well intentioned, this approach significantly narrows the tax base and raises concerns regarding long-term fiscal sustainability.

From a tax administration standpoint, replacing the current capped subtraction with a phased percentage-based exclusion introduces additional complexity for taxpayers and practitioners. Tracking eligibility, qualifying plans, applicable percentages, and interactions with other retirement-related subtractions increases compliance risk and the potential for filing errors and audit disputes.

The bill also creates equity concerns by providing broad relief to retirees regardless of income level while offering limited benefit to working taxpayers and younger residents who continue to shoulder the tax burden. MSATP generally supports tax relief strategies that are broad-based, simple to administer, and equitable across similarly situated taxpayers.

Given Maryland's existing budget pressures and the cumulative impact of multiple proposed retirement income exclusions, House Bill 707 raises concerns about the sustainability of the State's revenue structure and the increasing fragmentation of the tax code.

We encourage the Committee to consider whether more targeted or broad-based approaches, such as adjustments to the standard deduction, would provide more balanced relief without fully excluding retirement income from taxation.

For these reasons, the Maryland Society of Accounting and Tax Professionals respectfully urges an Unfavorable Report on House Bill 707.

Respectfully Submitted,

Giavante Hawkins
Giavante' Hawkins