



Letter of Information

House Bill 124 – Income Tax – Subtraction Modification – Losses From Theft or Fraud *Ways & Means Committee* *January 29, 2026*

The Comptroller of Maryland is respectfully submitting this letter of information regarding House Bill 124 – Income Tax – Subtraction Modification – Losses From Theft or Fraud. HB124 expands the allowable subtraction modifications to include loss of qualified retirement plan assets due to personal theft.

While the fiscal and policy note indicates that the Comptroller can implement HB124 with existing resources, this assessment does not include the impact on our revenue administration division. HB124 requires eligible taxpayers to attach police reports and additional evidence to the tax return to establish that the theft or fraud scheme occurred and provide additional evidence of the impacted assets. Our revenue administrators are not trained to review and verify police reports, and any approval process will require both coordination with outside entities and additional training. Additionally, as our online tax system does not currently allow for these types of attachments, any returns with income tax subtractions for theft and fraud losses will need to be processed manually by specially trained revenue examiners. The Comptroller of Maryland estimates that implementation of HB124 will require two additional revenue examiners (grade 11, mid-point salary of \$57,588).

An alternative option would be to treat this income tax subtraction modification similar to how tax credits are handled, where a third party approves and verifies eligibility of the tax credit and provides that information to the Comptroller. Using this model, rather than contacting the police department for a copy of their police report and records and attaching these to the return, an eligible taxpayer would apply to the relevant police department for approval of the subtraction modification and notice of eligibility would be sent to our office. This alternative would allow our office to process these returns more quickly and reduce our office's staffing needs.

Thank you for your consideration. If you have any questions, please reach out to Matthew Dudzic, Director of State Affairs, at MDudzic@marylandtaxes.gov.

