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Governor

ARUNA MILLER
Lieutenant Governor



YAAKOV "JAKE" WEISSMANN
Secretary

MARC L. NICOLE
Deputy Secretary

TITLE: HB926 Income Tax – Individual Itemized Deductions – Alterations

DATE: February 26th 2026

COMMITTEE: Ways and Means

POSITION: Letters of Concern

SUMMARY OF BILL: This bill would require taxpayers who itemize deductions on their Maryland income tax return to limit the amount claimed for real property taxes to \$10,000. That is, any taxpayer who deducted more than \$10,000 in eligible property tax payments on their federal tax return must add back the excess amount to their taxable income when calculating their Maryland tax return. The change applies to tax years 2025 through tax year 2029.

EXPLANATION:

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will work with the General Assembly to achieve structural balance over the long term. Simultaneously, the Governor and General Assembly must enact policies that strengthen the state's economy, and support Maryland's residents and businesses. The recent actions of the federal government have complicated both missions.

Maryland "conforms" with some federal individual and corporate income tax laws. That is, the state uses some federal rules and calculations in its own state tax code. Additionally, Maryland's federal-state tax conformity is "rolling," which means that if Congress changes any tax laws that Maryland conforms with, those state tax laws are also simultaneously and automatically changed. However, while federal-state conformity can benefit state taxpayers and administrators, conforming with a federal policy change is always a state policy choice (in Maryland and all other states). Thus, Maryland policymakers are responsible for analyzing all tax conformity changes, and deciding if those tax changes fit the state's priorities and budget.

H.R. 1 (2025) raised the state and local tax (SALT) deduction cap on the federal tax return from \$10,000 to \$40,000, but only for filers with less than \$500,000 in adjusted gross income (AGI).

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For filers with more than \$500,000, the SALT deduction cap phases-down until it hits \$10,000 for all filers with more than \$600,000 in AGI. The higher SALT deduction cap is in effect from tax year 2025 to 2029. In tax year 2030 and beyond, it is set to return to \$10,000 for all filers.

Maryland does *not* conform with the SALT deduction cap. However, Maryland instructs taxpayers who choose to itemize deductions (instead of claiming the standard deduction) to transfer their total amount of itemized deductions from their federal tax return to their Maryland tax return. The state then makes adjustments to that total. HB 926 would add a new instruction to the Maryland tax return that caps what filers can deduct in property tax payments at \$10,000. The instruction would require filers with more than \$10,000 in property tax payments to add back the excess amount to their Maryland taxable income.

Adding a new requirement that instructs taxpayers to add back a portion of their eligible deduction for property tax payments is a state tax increase, and one that would fall solely on Maryland taxpayers earning between roughly \$100,000 and \$600,000.

Additionally, applying that instruction to tax year 2025 (i.e., last tax year) would force Maryland taxpayers with more than \$10,000 in eligible property tax payments to amend their 2025 tax returns (that they filed in the spring of 2026) specifically to pay more in state income tax.

The Governor's tax proposals are disciplined and strategic in protecting essential services, but they also embrace proven tax policies that will help Maryland businesses make critical private sector investments, create jobs, and grow Maryland's economy.

**For additional information, contact Dana Phillips at
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