

WES MOORE  
*Governor*

ARUNA MILLER  
*Lieutenant Governor*



YAAKOV "JAKE" WEISSMANN  
*Secretary*

MARC L. NICOLE  
*Deputy Secretary*

**TITLE: HB1080 Income Tax - Addition Modifications - Excluded Opportunity Fund Gains, Foreign-Derived Deduction Eligible Income, and Interest**

**DATE: February 26th 2026**

**COMMITTEE: Ways and Means**

**POSITION: Letters of Concern**

**SUMMARY OF BILL:** The bill would eliminate a state tax benefit tied to Opportunity Zones, a state tax deduction for multinational corporations, and a state tax benefit for banks that lend to property owners in rural areas. All three Maryland tax policies are the result of "tax conformity" (i.e., the state using federal rules and calculations in its state tax code), but only the third policy (property loans in rural areas) was created by H.R. 1 (2025). The bill would also prevent the Governor from nominating Census tracts for the federal Opportunity Zone program.

**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

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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) changed many individual and corporate income tax laws that Maryland conforms with. The Governor analyzed all of these tax conformity changes, and weighed the pros and cons of each policy for both Maryland taxpayers and Maryland's budget. Ultimately, his FY 2027 budget proposal rejected unproven and expensive tax policies, but conformed with effective tax policies that will make Maryland's tax system simpler and more competitive.

HB 1080 would "decouple" Maryland from (i.e., reject) two state tax policies that resulted from federal-state tax conformity: A tax benefit tied to investments in Opportunity Zones and a deduction for multinational corporations known as foreign-derived deduction eligible income (FDDEI). Both the tax benefit related to Opportunity Zones and FDDEI are complicated tax policies that have pros and cons and were created by the Tax Cuts and Jobs Act (TCJA) and thus have existed in the Maryland tax code since tax year 2018. H.R. 1 made small changes to both tax policies, and the bill proposes to completely eliminate the policies from the Maryland tax return rather than merely rejecting those H.R.1 changes. Thus, decoupling from the policies would remove these Maryland tax benefits. The tax benefit for banks that lend to property owners in rural areas was created by H.R. 1, and eligible taxpayers benefited from it on the Maryland tax return in tax year 2025. Decoupling from the policy would eliminate that Maryland tax benefit.

Additionally, the bill would prohibit the Governor from nominating Census tracts for the federal Opportunity Zone program. The program provides incentives for investments in economically distressed communities. HB 1080 would not allow the Governor to make new Maryland neighborhoods, based on updated economic data, eligible for this federal program.

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.

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