

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1271 (Delegate Ruff, *et al.*)

Government, Labor, and Elections and
Ways and Means

Reparations - Board, Fund, and Excise Tax on Endowments - Establishment

This bill imposes a 4% excise tax on endowments of nonpublic institutions. After administrative cost recovery, the proceeds of the endowment excise tax are deposited in the newly-established Maryland Reparations Fund to provide grants to persons impacted by historic inequality. A nonpublic institution with an endowment, including principal and interest earnings, of less than \$2.0 billion is exempt from the excise tax. The bill also establishes the Maryland Reparations Board to make recommendations to the Governor and the General Assembly to provide grants to persons impacted by historic inequality. **The bill generally takes effect July 1, 2026. Endowment excise tax provisions apply to tax year 2026 and beyond.**

Fiscal Summary

State Effect: Special fund revenues increase significantly, potentially by more than \$500.0 million annually, beginning in FY 2027. Special fund expenditures increase beginning as early as FY 2027 for administrative expenses and grants. General fund revenues and expenditures for the Comptroller’s Office increase by at least \$0.5 million in FY 2027 and may increase in future years, as discussed below.

Local Effect: None.

Small Business Effect: Potential meaningful to the extent grants are provided to small businesses.

Analysis

Bill Summary:

Endowment Excise Tax

A taxable institution must annually file an endowment excise tax return by April 15 and on any other dates specified by the Comptroller in regulation. A taxable institution must maintain monthly records of the endowment account statements, including deposits, withdrawals, interest earnings, and any other information the Comptroller requires. The bill establishes personal liability for the endowment excise tax and related interest and penalties.

The Comptroller may require an institution subject to the endowment excise tax to post security for the tax in an amount determined by the Comptroller. An institution that is required to file an endowment excise tax return and that willfully fails to file the return as required under the bill is guilty of a misdemeanor subject to a fine of up to \$5,000, imprisonment for up to five years, or both. Certain other existing prohibitions and other provisions relating to the administration of the tax law apply to the endowment tax.

Maryland Reparations Board

The board may not receive compensation but is entitled to reimbursement for expenses under the standard State travel regulations. To achieve its stated purpose, the board must examine reparations payments made and benefits offered in the United States by the federal government, states, cities, religious institutions, and colleges and universities and use any other information necessary to recommend grants under the bill. The board must report to the Governor and the General Assembly on its recommendations for grants by October 1, 2026, and annually thereafter.

Maryland Reparations Fund

The fund is a special, nonlapsing fund that consists of endowment tax revenues distributed to the fund in accordance with the bill, money appropriated in the State budget to the fund, interest earnings, and any other money from any other source accepted for the benefit of the fund. The fund may be used only for grants to persons impacted by historic inequality and the administrative expenses of the board, which may not exceed 20% of the money in the fund annually. Money expended from the fund is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for a similar purpose. Grants must be used for initiatives that have the explicit goal of repairing inequities that derive from historic discrimination and may not be used for law enforcement activity.

Current Law:

Maryland Reparations Commission

Chapter 9 of the 2025 special session established the Maryland Reparations Commission to study and make recommendations relating to appropriate benefits to be offered to individuals impacted by historical inequality. The commission must submit a preliminary report to the Governor and the General Assembly by January 1, 2027, and a final report by November 1, 2027. The commission terminates June 30, 2028.

In conducting the required study, the commission must examine (1) reparations payments made and benefits offered in the United States by the federal government, states, cities, religious institutions, and colleges and universities; (2) types of benefits appropriate for reparations, including official statements of apology, monetary compensation, property tax rebates, social service assistance, licensing and permit fee waivers and reimbursement, down payment assistance for the purchase of residential real property, business incentives, child care, debt forgiveness, and higher education tuition payment waivers and reimbursement; (3) the history of slavery in Maryland and the number of individuals whose ancestors were enslaved in the State; (4) inequitable government policies, the size of impacted populations, and how public and private institutions benefited from these policies; and (5) any other topic deemed appropriate by the commission.

The commission's recommendations must include specified procedures for determining eligibility and approving applications for benefits and an estimate of the costs associated with awarding recommended reparations. If monetary compensation is a type of reparation recommended by the commission, the commission must recommend, among other things, potential sources of funding and the feasibility of creating and administering a reparations fund.

Federal Excise Tax on Net Investment Income of Private Colleges and Universities

The federal Tax Cuts and Jobs Act of 2017 imposed a 1.4% excise tax on the net investment income of certain private colleges and universities that enroll at least 500 tuition-paying students during the preceding tax year and have endowment assets (other than those used directly in carrying out the institution's exempt purpose) exceeding \$500,000 per student. The federal One Big Beautiful Bill Act (OBBBA) of 2025 modifies the excise tax for tax years after 2025. Among other changes, OBBBA exempts from the tax institutions that enroll less than 3,000 tuition-paying students during the preceding tax year and establishes tiered excise tax rates ranging from 1.4% to 8.0% based on an institution's student-adjusted endowment (1.4% if at least \$500,000 per student but not more than \$750,000 per student; 4.0% if more than \$750,000 per student but not more than \$2.0 million per student; and 8.0% if more than \$2.0 million per student).

State Fiscal Effect: It is assumed that the bill's endowment excise tax provisions primarily impact Johns Hopkins University, which reported endowment net assets totaling \$13.7 billion as of June 30, 2025. Thus, special fund revenues for the newly-created Maryland Reparations Fund potentially exceed \$500 million annually beginning in fiscal 2027. However, it is unclear how the university or any other affected institution will respond to the tax. (The Department of Legislative Services (DLS) is unaware of any other affected institutions at this time.)

Special fund expenditures increase beginning as early as fiscal 2027 as the Maryland Reparations Fund is used for expenses of the Maryland Reparations Board and for authorized grants. DLS notes that the bill does not specify an agency responsible for providing staff for the board or expressly authorize the board to hire staff.

The Comptroller's Office reports one-time programming costs ranging from \$0.5 million to \$2.0 million in fiscal 2027; thus, general fund expenditures for the Comptroller's Office increase by at least \$0.5 million in fiscal 2027. General fund revenues increase by a corresponding amount, reflecting endowment excise tax proceeds retained by the Comptroller for administrative costs. The Comptroller's Office further advises that as many as five additional regular, full-time staff are needed in order to implement the bill. DLS is unable to independently verify the Comptroller's personnel needs at this time but assumes that the bill's requirements can be handled with fewer than five additional full-time staff, if not with existing personnel resources. To the extent the Comptroller requires an additional full-time revenue examiner, related general fund expenditures may total \$62,200 in fiscal 2027 and upward of \$71,000 annually thereafter, and general fund revenues increase by corresponding amounts.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Treasurer's Office; Johns Hopkins University; National Center for Education Statistics; CCH AnswerConnect; Department of Legislative Services

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