

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 33 (Delegate Griffith)
 Ways and Means

Income Tax - Itemized Deductions - Charitable Donations

This bill excludes charitable contribution deductions from the limitation on itemized deductions enacted under the Budget Reconciliation and Financing Act (BRFA) of 2025 for taxpayers with federal adjusted gross income (AGI) in excess of \$200,000 (\$100,000 if married filing separately). **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$84.6 million in FY 2027; future years reflect annualization and projected income growth. The Comptroller’s Office can implement the bill’s change with existing budgeted resources.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$84.6)	(\$65.2)	(\$67.7)	(\$70.3)	(\$73.0)
Expenditure	0	0	0	0	0
Net Effect	(\$84.6)	(\$65.2)	(\$67.7)	(\$70.3)	(\$73.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local income tax revenues decrease by an estimated \$41.5 million in FY 2027 and by similar amounts annually thereafter. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The BRFA of 2025 made several changes to the personal income tax for tax year 2025 and beyond. Among other things, the Act increases the Maryland standard deduction and requires taxpayers with federal AGI in excess of \$200,000 (\$100,000 if married filing separately) to reduce the amount of their otherwise allowable itemized deductions by an amount equal to 7.5% of federal AGI in excess of the threshold.

Section 170 of the Internal Revenue Code allows a deduction for charitable contributions made to a qualified charitable organization within the tax year. The federal One Big Beautiful Bill Act (OBBBA) of 2025 establishes a floor on individual charitable contribution deductions equal to 0.5% of AGI (as specified) for tax years after 2025. OBBBA also permanently repeals the Pease limitation (which reduced allowable itemized deductions for certain high-income taxpayers) and instead requires individuals with taxable income in excess of the threshold for the top marginal federal income tax rate (37%) to reduce itemized deductions by an amount that effectively limits the tax benefit of itemized deductions to 35%.

Additionally, OBBBA permanently reinstates and expands a partial “below-the-line” charitable contribution deduction (deducted after calculation of adjusted gross income) for non-itemizers for tax years after 2025. (A similar deduction was previously available for tax year 2021 under the federal Consolidated Appropriations Act of 2021). The deduction is limited to \$1,000 (\$2,000 for joint returns) and does not flow through to the Maryland income tax return.

State/Local Revenues: State general fund revenues and local income tax revenues decrease significantly beginning in fiscal 2027 due to increases in total itemized deductions claimed on Maryland personal income tax returns. **Exhibit 1** displays the bill’s estimated effect on State and local revenues in fiscal 2027 through 2031. As shown in the exhibit, in fiscal 2027, State general fund revenues and local income tax revenues decrease by an estimated \$84.6 million and \$41.5 million, respectively, reflecting the effect of tax year 2026 and a portion of tax year 2027. Future years reflect annualization and projected income growth.

Exhibit 1
Effect on State and Local Revenues
Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
State Effect	(\$84.6)	(\$65.2)	(\$67.7)	(\$70.3)	(\$73.0)
Local Effect	(41.5)	(31.9)	(33.2)	(34.5)	(35.8)
Total Effect	(\$126.1)	(\$97.1)	(\$100.8)	(\$104.8)	(\$108.7)

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

This estimate is based on an analysis of tax year 2024 Maryland income tax data and federal individual deduction statistics for Maryland for tax year 2022 (the most recent year for which data is available) published by the Internal Revenue Service. This estimate also accounts for the effect of OBBBA's changes to the federal charitable contribution deduction.

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; Internal Revenue Service; Department of Legislative Services

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jg/hlb

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