

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader - Revised

House Bill 528
Ways and Means

(Delegate Pruski)

Income Tax - Subtraction Modification - Retirement Income of Fire, Rescue, and
Emergency Services Personnel - Eligibility

This bill expands eligibility for the public safety employee retirement income subtraction modification to include specified retirement income attributable to service as a fire, rescue, or emergency services personnel of the District of Columbia. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease by more than \$330,000 annually beginning in FY 2027. The Comptroller’s Office can implement the bill’s change with existing budgeted resources.

Local Effect: Local income tax revenues may decrease by more than \$270,000 annually beginning in FY 2027. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: As authorized by Chapters 3 and 4 of 2022, an individual who is at least 55 years old on the last day of the tax year may claim a subtraction modification against the personal income tax for the first \$15,000 of income received from an employee retirement system (within the meaning of the State’s standard pension exclusion, as discussed below) that is attributable to service as a public safety employee. “Public safety employee” means an individual who is a retired correctional officer; law enforcement officer; or fire, rescue, or emergency services personnel of the United States, the State, or

a political subdivision of the State. “Emergency services personnel” means emergency medical technicians or paramedics. As discussed below, an individual who is at least age 65, is totally disabled, or whose spouse is totally disabled may qualify for and claim the standard State pension exclusion for retirement income that is not excluded under the public safety employee retirement income subtraction.

Maryland Pension Exclusion

Under Maryland’s standard pension exclusion, an individual who is at least age 65, who is totally disabled, or whose spouse is totally disabled may subtract certain taxable pension and retirement annuity income from federal adjusted gross income for purposes of determining Maryland adjusted gross income. The maximum value of the subtraction is indexed to the maximum annual benefit payable under the Social Security Act (\$41,200 for 2025) and is reduced by the amount of any benefit payments received under the Social Security Act or Railroad Retirement Act (“Social Security offset”).

The pension exclusion is limited to income received from an “employee retirement system,” which is defined as a plan (1) established and maintained by an employer for the benefit of its employees and (2) qualified under § 401(a), § 403, or § 457(b) of the Internal Revenue Code. This includes defined benefit and defined contribution pension plans, 401(k) plans, 403(b) plans, and 457(b) plans. Public safety employee retirement income that is excluded under the public safety employee retirement income subtraction modification is not taken into account for purposes of the standard pension exclusion.

Other Tax Relief for Retirees and Seniors

Social Security benefits and benefits received under the federal Railroad Retirement Act are totally exempt from Maryland income tax, though they may be partly taxable for federal income tax purposes. Other income tax relief provided to seniors include an additional exemption of \$1,000 for individuals age 65 and older (in addition to the regular personal exemption) as well as the senior tax credit for qualifying taxpayers age 65 and older.

State/Local Revenues: State general fund revenues and local income tax revenues decrease annually beginning in fiscal 2027 due to an increase in subtraction modifications claimed on Maryland income tax returns. While a precise estimate of the bill’s effect on State and local revenues is not available at this time, a preliminary analysis based on historic claims for the subtraction modification and information provided by the District of Columbia Fire Fighters Association suggests that annual State general fund revenue losses may exceed \$330,000, and annual local income tax revenue losses may exceed \$270,000. The District of Columbia Fire Fighters Association estimates that about 630 retired District of Columbia firefighters will become eligible for the subtraction modification as a result of the bill; this number does not include retired

District of Columbia single-role emergency medical technicians or paramedics residing in Maryland, to whom the bill also extends eligibility for the subtraction modification.

Additional Information

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

Designated Cross File: SB 271 (Senator Gile) - Budget and Taxation.

Information Source(s): Comptroller's Office; District of Columbia Fire Fighters Association; Department of Legislative Services

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