

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 735
Ways and Means

(Delegate Palakovich Carr)

Earned Income Tax Credit - Assistance Program Implementation Delay and Study

This bill delays by five years, to tax year 2030, the Maryland Earned Income Tax Credit Assistance Program for Low-Income Families established under Chapters 110 and 111 of 2022 and makes conforming changes to reporting requirements and the termination date of the program. The bill also requires (1) the Comptroller's Office to study and make recommendations regarding outreach efforts to encourage eligible taxpayers to claim the State earned income tax credit and (2) the Department of Service and Civic Innovation (DSCI) to study and make recommendations on how Maryland Corps participants might assist low-income Marylanders with claiming the State earned income tax credit and other family-serving tax credits and government assistance for which they may be eligible. The Comptroller's Office and DSCI must each report their findings to the Governor and the General Assembly by December 1, 2026. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The Comptroller's Office and DSCI can conduct the required studies and prepare the related reports with existing budgeted resources. General fund revenue reductions associated with any increase in State income tax credit claims under the program are delayed.

Local Effect: Local income tax revenue reductions associated with any increase in local income tax credit claims under the program are delayed. Local finances are not otherwise affected.

Small Business Effect: None.

Analysis

Current Law:

Maryland Earned Income Tax Credit

Maryland's earned income tax credit offers both refundable and nonrefundable credits against the State income tax and a nonrefundable credit against the local income tax for low- to moderate-income resident taxpayers. The State nonrefundable credit is generally equal to 50% of the amount of an eligible taxpayer's federal earned income tax credit for the taxable year. A taxpayer for whom the State nonrefundable credit is less than the taxpayer's State income tax liability may also be eligible to claim the State and local poverty level tax credits.

Maryland Earned Income Tax Credit Assistance Program

Chapters 110 and 111 established the Maryland Earned Income Tax Credit Assistance Program to (1) identify residents who are eligible to claim the Maryland earned income tax credit but have failed to claim the credit and (2) provide these residents with a streamlined mechanism to claim the credit. The Comptroller must administer the program, adopt regulations, and report to the Governor and the General Assembly on program activity by December 31 annually in 2025 through 2030.

For tax year 2025 and beyond, the Comptroller must provide, as part of the program, a form to claim the credit to any resident (1) for whom the Comptroller has received specified federal income tax return information; (2) whose wages were reported by the resident's employer to the Comptroller for the tax year; (3) who failed to claim the Maryland earned income tax credit for the tax year; and (4) who is eligible to file a claim for a refund of Maryland income tax. In processing the form to claim the credit, the Comptroller's Office must calculate the credit using the standard deduction method. On request from a resident, the Comptroller's Office must waive any penalties or interest on any assessment of tax due unless the Comptroller's Office reasonably believes the resident knew or should have known the tax was miscalculated.

Additional Information

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

Designated Cross File: SB 519 (Senator King) - Budget and Taxation.

Information Source(s): Comptroller's Office; Department of Service and Civic Innovation; Department of Legislative Services

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me/jrb

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