HB 902

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 902 (Delegate Roberts, *et al.*)
Ways and Means

Retire in Maryland Tax Relief Act

This bill authorizes a nonrefundable State income tax credit for a resident who is at least age 77 on the last day of the tax year and whose federal adjusted gross income (AGI) does not exceed $175,000 ($250,000 if filing jointly or as a qualified surviving spouse or head of household). The tax credit is equal to a specified percentage of the State income tax for the tax year based on the eligible taxpayer's age on the last day of the tax year (25% if age 77; 50% if age 78; 75% if age 79; and 100% if age 80 or older). For joint filers, the tax credit is available only if both spouses are at least age 77 on the last day of the tax year, and the credit percentage is determined based on the younger spouse's age on the last day of the tax year. Any unused amount of credit may not be carried over to any other tax year. An eligible taxpayer may not claim the credit in any tax year for which the taxpayer also claims the State's senior tax credit under § 10-754 of the Tax-General Article. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by a significant indeterminate amount annually beginning in FY 2027. General fund expenditures for the Comptroller's Office increase by an estimated $62,200 in FY 2027; future years reflect annualization and ongoing costs.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	$62,200	$71,300	$74,700	$78,100	$81,600
Net Effect	(-)	(-)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Senior Tax Credit

Chapters 3 and 4 of 2022 established a nonrefundable State income tax credit for resident taxpayers who are at least age 65 and whose federal AGI does not exceed $100,000 ($150,000 for joint filers, heads of household, and qualified surviving spouses). The amount of the tax credit is equal to $1,000 ($1,750 for heads of household, qualified surviving spouses, and joint filers if both spouses are at least age 65). For a tax year in which the September general fund estimate issued by the Board of Revenue Estimates for the current fiscal year is more than 3.75% below the March general fund estimate issued in the same year, the value of the tax credit is reduced by 50% for taxpayers whose federal AGI is at least $50,000 ($100,000 for joint filers, heads of household, and qualified surviving spouses).

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 the Maryland pension exclusion (as discussed further below) and an additional exemption of $1,000 for individuals age 65 and older (in addition to the regular personal exemption).

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 AGI 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.

State Revenues: General fund revenues decrease by an indeterminate amount annually beginning in fiscal 2027. Due to data limitations, a precise estimate is not feasible at this time; however, the effect is expected to be significant.

State Expenditures: General fund expenditures for the Comptroller's Office increase by an estimated $62,218 in fiscal 2027, which reflects a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one full-time revenue examiner to process and validate tax credit claims under the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	$53,077
Other Operating Expenses	9,141
Total FY 2027 State Expenditures	**$62,218**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 207 of 2023.

Designated Cross File: SB 382 (Senator Watson, *et al.*) - Budget and Taxation.

Information Source(s): Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2026
sj/hlb

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