

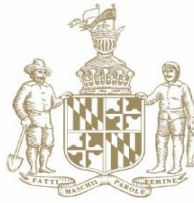
WILLIAM WIVELL
Legislative District 2A
Washington County

Environment and Transportation
Committee

Subcommittees

Housing and Real Property

Local Government and
Bi-County Issues



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Annapolis Office
The Maryland House of Delegates
6 Bladen Street, Room 322
Annapolis, Maryland 21401
410-841-3447 · 301-858-3447
800-492-7122 Ext. 3447
Fax 410-841-3818 · 301-858-3818
William.Wivell@house.state.md.us

District Office
P.O. Box 273
51 South Main Street
Smithsburg, Maryland 21783
301-824-3369

HB1326, Income Tax – Subtraction Modification – Rental Real Estate Activities.

Madame Chair and Honorable members of the Ways & Means Committee:

HB1326 creates an additional state income tax deduction from Federal Adjusted Gross Income. The amount of the deduction would be equal to the lesser of the amount in excess of \$25,000 that was excluded on the taxpayer's Federal return, or \$25,000 (whichever is less). For example, if a qualifying taxpayer incurred a \$40,000 loss on a rental property, this bill would allow an additional state income tax deduction of \$15,000.

The \$25,000 Passive Activity Loss limitation was created by the Tax Reform Act of 1986. This provision limits the amount of passive activity losses (generally, rental property) that an individual can claim against their non-passive income (generally, wages). Had it been indexed for inflation, the \$25,000 loss limitation would be equivalent to \$64,130 in today's dollars. This bill would take that deduction to a maximum of \$50,000 for state income tax purposes.

The bill specifically excludes from eligibility those individuals who qualify as real estate tax professionals under the IRS code. These are individuals who generally spend 750 hours or more per year on the real estate activity, or spend more than 50% of their time on the real estate activity. The deduction by the taxpayer meeting these parameters is not currently limited. So, the bill seeks to help those small "Mom & Pop" taxpayers who have sought real estate as an investment and choose to rent that property.

In speaking with our local Housing Authority, it has been indicated that there is a lack of available housing for housing vouchers. Many of the suitable housing has been removed from the rental market for various reasons and this bill seeks to assist that small investor who remains in the rental industry despite having suffered losses. Some of those losses in the past few years have been attributable to the COVID-19 pandemic.

I thank you for your time and consideration and ask that you render a favorable report on HB1326.

Thank you.