Brooke E. Lierman
Comptroller of Maryland

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News Release

Comptroller of Maryland Issues Guidance on Pass-Through Entity Tax Changes for 2026

ANNAPOLIS, Md. (May 1, 2026) — The Office of the Comptroller has issued updated guidance to help pass-through entities (PTEs) and their members navigate recent legislative changes affecting how some PTEs calculate their tax and estimated tax payments for tax year 2026.

The Maryland Tax Alert, released April 13, outlines how provisions included in the Budget Reconciliation and Financing Acts of 2025 and 2026 impact the calculation of taxable income for PTEs and the process for making quarterly estimated payments.

“These updates reflect our commitment to providing clarity and stability for Maryland businesses as tax laws evolve,” said Comptroller Brooke E. Lierman. “We want taxpayers to have the information they need to make informed decisions and remain in compliance, without unnecessary confusion or disruption.”

Under legislation passed in 2025, the calculation of taxable income for electing PTEs was amended to include all income of resident members and Maryland-source income for nonresident members for tax years beginning after December 31, 2025. However, legislation enacted during the 2026 session delays implementation of these changes and introduces a second option for calculating the tax attributable to income on resident members’ shares. Both changes will apply to tax years beginning after December 31, 2026.

For tax year 2026, electing PTEs will continue to calculate taxable income for all members based only on income attributable to Maryland, maintaining consistency with tax year 2025.

The updated guidance also addresses how PTEs should approach estimated payments for the remainder of the year. Entities that may have made first-quarter payments based on the earlier 2025 law may adjust their remaining quarterly payments to account for any overpayment.

In addition, the Comptroller's Office is providing flexibility for PTEs making elections to be taxed at the entity level. For tax year 2026, any election or non-election made with a first-quarter estimated payment will not be binding. Instead, the Office will honor the election made with the next filing or payment submitted after April 15, 2026—giving businesses time to evaluate the impact of the legislative changes.

The Tax Alert also reminds taxpayers that beginning with tax year 2025, a 2% surtax on net capital gain income applies at the individual level for taxpayers whose income includes net capital gain and whose federal adjusted gross income exceeds $350,000. This surtax is not included in the PTE-level tax calculation, and individuals receiving PTE income that includes net capital gain may need to adjust their personal estimated payments accordingly.

The Comptroller's Office encourages all affected businesses, individuals, and tax professionals to review the full Maryland Tax Alert.

For more information, please review the Tax Alert Changes to Tax Year 2026 Pass-Through Entity Estimated Payments.

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