

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 100
Ways and Means

(Delegate Cardin)

Budget and Taxation

Inheritance Tax - Beneficiaries of Limited Means - Installment Payments

This bill requires a register of wills, on request by a beneficiary of limited means, to allow an installment payment plan for inheritance tax due if payment of the tax on the due date would require the sale of the eligible real property. A beneficiary of limited means may apply for the installment payment plan by filing with the register an application on the form and in the manner that the register requires. The register must specify the installment payment schedule and the amount of any installment payments authorized. **The bill takes effect July 1, 2024, and applies to all decedents dying on or after July 1, 2024.**

Fiscal Summary

State Effect: While overall inheritance tax revenues do not change, the timing of when revenues are received may be affected and therefore reduce general fund revenues beginning in FY 2025. The actual impact will depend on the number of beneficiaries who make installment payments and when inheritance taxes are due. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A beneficiary of limited means is defined as an individual entitled to property of a decedent if the individual's federal adjusted gross income does not exceed \$125,000, or \$250,000 for spouses filing a joint return or for a specified surviving spouse or head of household as defined in § 2 of the Internal Revenue Code.

Eligible real property is defined as real property that (1) passes from the decedent to a beneficiary of limited means and (2) is the primary residence of the beneficiary of limited means or is agricultural land that the beneficiary of limited means maintains as agricultural land.

Current Law: The inheritance tax is imposed on the privilege of receiving property that has a taxable *situs* in the State and passes from a decedent to a collateral beneficiary (*i.e.*, a person other than a lineal relative or sibling of the decedent). Property that passes to “direct” or lineal beneficiaries or siblings of the decedent is exempt from the tax. The law also provides for several additional exemptions to the inheritance tax.

The tax is imposed on property that passes at or after the death of an individual by will or under Maryland’s laws of intestacy, by trust, or otherwise. The tax applies to all property in which the decedent had an interest that may be passed on to heirs, including joint tenancies, remainder interests, property transferred in contemplation of death, or property transferred during life over which the decedent retained any dominion.

The inheritance tax rate is 10% on the “clear value” of the property that passes from a decedent. Clear value of assets means the market value of the assets less expenses.

State Revenues: The bill does not affect the overall amount of inheritance taxes that will be paid. However, the timing of when revenues are collected may be delayed, which could reduce general fund revenues beginning in fiscal 2025. The actual amount of any revenue decrease depends on the number of beneficiaries who pay inheritance taxes in installment payments and when inheritance taxes are due.

The Registers of Wills report that most estates do not include agricultural property and most of the estates that do are not subject to the inheritance tax because the beneficiaries qualify for another exemption from the tax.

As a point of reference, inheritance tax collections totaled \$83.9 million in fiscal 2022 and \$79.7 million in fiscal 2023. The December 2023 revenue forecast assumes inheritance tax revenues of \$77.2 million in fiscal 2024 and \$81.6 million in fiscal 2025.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 100 of 2023.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); Registers of Wills; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2024
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