

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 442
Ways and Means

(Delegate Edelson)

Inheritance Tax - Exemptions - Maximum Property Value

This bill increases, from \$1,000 to \$25,000, the maximum value of property that is exempt from the inheritance tax. **The bill takes effect July 1, 2024, and applies to decedents dying after June 30, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease by a significant amount beginning in FY 2025 depending on the number of beneficiaries who receive property valued at up to \$25,000 each year. Expenditures are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

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.

Property with a total value of \$1,000 or less that passes from a decedent to any one person is exempt from the inheritance tax.

State Fiscal Effect: General fund revenues decrease by a significant amount beginning in fiscal 2025. The amount of any revenue decrease depends on the number of beneficiaries who receive property valued between \$1,001 and \$25,000 in any given year. Based on a sample of inheritance tax receipts collected by the registers of wills that paid between \$100 and \$2,500, based on the 10% tax rate, it is estimated that inheritance tax revenues decrease by at least \$1.5 million beginning in fiscal 2025. The registers advise that, because this estimate is based on a sample of receipts rather than all receipts, the actual revenue decrease will be significantly higher.

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 not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2024
km/jrb

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