

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 212 (Senator Craig)  
Budget and Taxation

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**Inheritance Tax - Tax Rate - Siblings, Nieces, and Nephews of Decedent**

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This bill alters the inheritance tax rate from 10% to 1% for property passing from a decedent to or for the use of a sibling, niece, or nephew of the decedent.

This bill is effective July 1, 1997.

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**Fiscal Summary**

**State Effect:** General fund revenues would decrease by an estimated \$27.2 million in FY 1998. Future year revenue decreases reflect growth in inheritance tax collections. Expenditures would not be affected.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$27,200)	(\$28,600)	(\$30,000)	(\$31,500)	(\$33,000)
GF Expenditures	0	0	0	0	0
Net Effect	(\$27,200)	(\$28,600)	(\$30,000)	(\$31,500)	(\$33,000)

*Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds*

**Local Effect:** None.

**Small Business Effect:** None. This bill would not directly affect small businesses.

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**Fiscal Analysis**

**Background:** The inheritance tax is assessed either at a direct rate of 1% or a collateral rate of 10%. The rate assessed depends upon the relationship of the decedent to the recipient(s). The State general fund receives 75% of inheritance tax revenues while the remaining 25% goes to Register of Wills offices. Estates larger than \$600,000 in size are also subject to an estate tax. Any estate subject to both an inheritance tax and an estate tax may receive a credit

against the estate tax for any inheritance tax paid.

**State Revenues:** Siblings, nieces, and nephews of decedents are currently taxed at the 10% collateral rate. Total collateral tax collections for fiscal 1998 are estimated at \$67 million, \$50.3 million of which would be direct revenues for the State general fund. An estimated 18% of collateral tax revenues collected are paid by siblings while an estimated 27% is paid by nieces and nephews of decedents. Reducing the tax rate to 1% for siblings would decrease general fund revenues by an estimated \$8.2 million while reducing the rate for nieces and nephews would reduce revenues by an estimated \$12.2 million in fiscal 1998.

For estates greater than \$600,000 in value, any inheritance tax reduction would be offset by an increase in the estate tax paid. The total amount of estate values and taxes that come from siblings, nieces, or nephews of decedents cannot be reliably estimated at this time.

Decreasing the collateral tax rate for siblings of decedents from 10% to 1% would decrease revenues for Register of Wills offices by an estimated \$2.7 million in fiscal 1998. Decreasing the rate for transfers to nieces and nephews would reduce revenues by an estimated \$4.1 million in fiscal 1998. The total decrease in revenues for the Register of Wills offices would be \$6.8 million.

The total decrease in State revenues would be \$27.2 million in fiscal 1998. Future year estimates reflect 5% growth in collateral inheritance tax collections.

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**Information Sources:** Register of Wills, Comptroller of the Treasury (Revenue Administration Division), Department of Fiscal Services

**Fiscal Note History:** First Reader - February 3, 1997  
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