

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 866 (Delegate Brinkley, *et al.*)
Ways and Means

Inheritance Tax - Exemption for Property that Passes to Public, Charitable, or Religious Organizations

This bill broadens the current inheritance tax exemption for property passing to nonprofit organizations. Under current law, property passing to 501(c)(3) organizations is exempt from the inheritance tax. This bill amends current law to exempt property transferred to an organization which is exempt from Maryland estate taxation under Internal Revenue Code §2055. The inheritance tax exemption, under both current law and this bill, applies only to those organizations which are incorporated in the State, conduct a substantial part of their activities in the State or in the District of Columbia, or have their principal place of business in a jurisdiction which has a reciprocal exemption from death taxes.

Fiscal Summary

State Effect: Indeterminate effect on revenues in FY 1998 as discussed below. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: Under this bill, no organizations would lose an exemption for inheritance taxes, but additional organizations could receive this exemption. An expansion of the exemption could decrease the amount of inheritance tax revenues collected, but any specific impact cannot be reliably estimated at this time. For estates greater than \$600,000 in value, any inheritance tax reduction would be offset by an increase in the estate tax paid.

Small Business Effect: This bill would amend current law to exempt property that is

transferred from a decedent to any organizations that are classified as exempt from estate taxation under Internal Revenue Code §2055, thereby allowing additional nonprofit organizations to benefit from inheritance tax exemptions.

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

Fiscal Note History: First Reader - February 24, 1997

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Analysis by: Ryan Bishop

Reviewed by: David Roose

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710