

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

Revised

House Bill 431 (Delegates Finifter and Zirkin)

Judiciary

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**Estates and Trusts - Limitation Period for Refund Claim**

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This bill specifies a limitation period for filing a claim for refund after escheat to the Department of Health and Mental Hygiene (DHMH) or a local board of education. Under current law if a decedent had been a recipient of long-term benefits under the Maryland Medical Assistance Program and has no heirs or no heirs can reasonably be found, then the decedent's estate must be converted to cash and paid to DHMH. If a decedent was not a Medicaid recipient and has no heirs or no heirs can reasonably be found, then the decedent's estate must be given to the local board of education. If an heir later surfaces, the heir can file a claim for refund of the money paid to DHMH or board of education. This bill extends the time that such a claim for refund may be filed from the later of three years after the death of the decedent or one year after the time of distribution of the property to no more than eight years from the date of distribution of the property.

The limitation period specified in the bill will apply whether a distribution of property occurred before, on, or after the bill's October 1, 1999 effective date.

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**Fiscal Summary**

**State Effect:** Potential loss of escheat revenues for DHMH. Potential increase in general fund revenues from inheritance and estate taxes.

**Local Effect:** Potential loss of escheat revenues for local boards of education.

**Small Business Effect:** None.

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## Fiscal Analysis

**Background:** The inheritance tax is assessed 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). Under current law the general fund receives 75% of inheritance tax revenues, with the remaining 25% going to the Registers of Wills. To the extent that revenues received by the Registers of Wills exceed expenditures, the excess (normally about 80%) is remitted back to the general fund. Any estate subject to both the estate tax and the inheritance tax may receive a credit against the estate tax for any inheritance tax paid. Inheritance tax reductions would therefore be offset by an increase in the estate tax paid for estates valued greater than \$675,000 in tax years 2000 and 2001. The size of the estate necessary to be subject to the estate tax increases each year until 2006 when only estates with a gross value of greater than \$1 million are subject to the estate tax.

**State Effect:** DHMH could lose escheat revenues due to the extension of the time limitation. The amount that could be lost, however, cannot be reliably quantified because DHMH is unable to determine the amount of revenues currently collected from unclaimed estates.

Under current law the amounts paid to the boards of education and to DHMH are not subject to inheritance and estate taxation. Therefore, if an heir later surfaces and files a claim for refund of the money paid to DHMH or a local board of education, inheritance tax and estate revenues could increase depending on the value of the estate and the relationship of the heir to the decedent.

**Local Effect:** The amount of revenues that local boards of education could lose due to the extended time limitation to file a claim for refund after escheat cannot be precisely determined. However, the Maryland Association of Boards of Education advises that the local boards of education that responded to a survey on this bill have received the following funds from unclaimed estates in the past eight years.

### Summary of Local Boards of Education Revenues Due to Unclaimed Estates

<u>Board of Education</u>	<u>Escheat Revenues</u>
Anne Arundel	\$400,000
Baltimore City	\$488,000 (in the past 2 years)
Caroline	\$14,000 (in the past 3 years)
Frederick	\$102,000
Howard	\$122,000
Montgomery	\$500,000
Worcester	\$132,000

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**Information Source(s):** Maryland Association of Boards of Education, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Health and Mental Hygiene (Health Services Analysis and Education Administration)

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