

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 27 (Delegate Leopold. *et al.*)

Ways and Means

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**Inheritance Tax and Income Tax - Victims of Nazi Persecution**

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This bill creates an income tax subtraction modification for: (1) income related to recovered Holocaust assets; and (2) distributions made to an individual, or the individual's spouse or descendant, because of the person's status as a victim of Nazi persecution. The bill also creates an exemption against the State inheritance tax for the above mentioned assets and distributions. The exclusion from the State income tax and inheritance tax includes interest on the proceeds receivable on specified insurance policies. The bill applies only to the first recipient of the assets after their recovery and only if the recipient is a victim of Nazi persecution, or a Holocaust victim's spouse or descendant. The exclusion does not include assets acquired with the proceeds from the sale of the recovered Holocaust assets.

The bill takes effect July 1, 1999. The inheritance tax exclusion applies to all decedents dying after July 1, 1999. The subtraction modification applies to all taxable years beginning after December 31, 1998.

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**Fiscal Summary**

**State Effect:** Potential minimal decrease in State revenues. No effect on expenditures.

**Local Effect:** Potential minimal decrease in local revenues. No effect on expenditures.

**Small Business Effect:** None.

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## **Fiscal Analysis**

**State Revenues:** This bill would provide relief from the State income tax and the inheritance tax for: (1) restitution payments made to Holocaust victims; (2) distributions from Swiss banks for heirless and unclaimed assets deposited in Swiss banks (dormant accounts); (3) recovered looted assets; and (4) other payments relating to Holocaust losses.

According to the Baltimore Jewish Alliance, there are fewer than 1,700 Holocaust survivors in Maryland. There is presently an international class action lawsuit filed on behalf of the survivors for Holocaust losses; the expected payout is estimated to be between \$100 - \$200 per survivor. To date, about 300 Maryland residents have been identified as claimants. The value and status of the claims cannot be determined at this time.

According to *The Washington Times*, 50,000 needy Holocaust survivors in the United States are to receive \$500 from a humanitarian fund. A small number of those recipients would likely be Maryland residents. In addition, 2 Swiss banks have agreed to pay a total of \$1.25 billion to holders of dormant wartime accounts and their heirs. The number of individuals in Maryland who would receive the payments and the amount of the payments cannot be determined at this time.

Given the small number of individuals in Maryland who would be affected by this bill and the uncertainty regarding the status of the claims and the amount of the payments, if any, it is likely that the impact on State revenues of exempting recovered assets and contributions from the personal income tax and inheritance tax would be minimal. It should be noted, however, that some of the looted assets include artworks of substantial value. The process of recovering such an asset, however, would likely involve considerable delay and the effect on State revenues would not be felt in the near term.

**Local Revenues:** Local piggyback revenues would decline if State income tax revenues decrease. The amount of the decrease is approximately 55% of 5% of any subtraction taken against the personal income tax.

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**Information Source(s):** Comptroller of the Treasury (Bureau of Revenue Estimates), Baltimore Jewish Alliance, Washington Times, Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 1999

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