

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 219 (Senator Frosh. *et al.*)

Judicial Proceedings

Intestate Succession - Failure to Support Child

This bill prevents a surviving parent from receiving a distribution of the net estate, via intestate succession, of a child of the parent if the parent abandoned, deserted, or “refused to support” the child.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues to the extent that parents who failed to support their deceased child are disinherited in favor of other beneficiaries or the State. Expenditures would not be affected.

Local Effect: Potential minimal increase in revenues to local boards of education.

Small Business Effect: None.

Analysis

Bill Summary: Refused to support is defined as the failure of a parent to provide support for a total of at least 12 months during the period in which the parent was required to provide support.

Current Law: Maryland imposes two death taxes. The inheritance tax is applied to the receipt of property from a decedent’s estate. For decedents dying on or after July 1, 1999, direct beneficiaries are taxed at the rate of 0.9% (reduced from 1% under Chapter 635 of 1999). Direct beneficiaries include grandparents, parents, spouses, children, other lineal descendants, stepparents, and stepchildren, or a corporation if all stockholders are direct beneficiaries. Spouses receive an exemption for all real property, all jointly held property

passing by right of survivorship, and the first \$100,000 of other property. Collateral beneficiaries include all other beneficiaries. Collateral beneficiaries other than siblings of the decedent are taxed at the rate of 10%. Under Chapter 635 of 1999, for decedents dying between July 1, 1999, and June 30, 2000, siblings are taxed at the rate of 8%, with the rate phasing down to 5% for decedents dying on or after July 1, 2001.

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 the revenues received by the Registers of Wills exceed expenditures, the excess (normally about 80%) is remitted back to the general fund.

Maryland's other death tax, the "pick-up" estate tax, applies only if a federal estate tax return is required for the estate of a decedent. 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 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 Revenues: The bill prohibits parents who have abandoned, refused to support, or have deserted their children from claiming the estate of these children. Under current law the parent would be subject to the 0.9% direct inheritance tax. If the succeeding heir is also a direct heir, general fund revenues would not be affected by this bill. On the other hand, if the succeeding heir was subject to the higher collateral inheritance tax, then general fund revenues would potentially increase. If there are no other heirs, the Department of Health and Mental Hygiene or the local board of education would receive the distribution of the child's estate.

The Department of Legislative Services does not have any information on which to base an estimate of the number of parents who would be prohibited from claiming their children's estates. In addition, it is unknown how many other heirs would be eligible to inherit the child's estate, and what relationship they would have to the decedent.

Additional Information

Prior Introductions: SB 258 of 1999, an identical bill, received an unfavorable report from the Senate Judicial Proceedings Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Health and Mental Hygiene,

Department of Human Resources, Registers of Wills, Department of Legislative Services

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