

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

House Bill 220 (Delegates Valderrama and Vallario)
 Ways and Means

Judicial Proceedings

Register of Wills

This bill includes in the general fund the share of the inheritance tax currently retained by the Registers of Wills. Probate and other fees currently retained by the registers would also be included in the general fund. The offices of the Registers of Wills would be included in the State budget. The bill also increases the maximum salary for a Register of Wills from \$75,000 to \$85,000 and eliminates the existing \$6,000 floor on their salaries.

The bill takes effect October 1, 2001; the changes to revenues and budgeting begin July 1, 2002. The salary increase will apply at the beginning of the next following term of office.

Fiscal Summary

State Effect: General fund revenues from inheritance taxes and estate processing fees would increase by approximately \$14.6 million beginning in FY 2003. Future year revenues reflect tax and fee revenue forecasts. General fund expenditures to operate the offices of the Registers of Wills would increase by approximately \$14.6 million in FY 2003. Future year expenditures assume 5% growth and incorporate approximately \$225,000 in additional salary costs for the registers.

| (\$ in millions) | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|------------------|---------|---------|---------|---------|---------|
| GF Revenue | \$0 | \$14.6 | \$15.4 | \$16.1 | \$16.9 |
| GF Expenditure | 0 | 14.6 | 15.4 | 16.1 | 16.9 |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The current minimum salary for a Register of Wills is \$6,000; the maximum is \$75,000. While the permissible range of salaries is set by statute, the Board of Public Works must approve each individual salary change.

Background: The Register of Wills in each jurisdiction is responsible for the administration of estates by providing proper forms and direction, assisting, and advising any person who requests assistance in the preparation of any form for administrative probate, admitting wills to probate and issuing Letters of Administration, auditing accounts, and maintaining accurate records of all estate matters.

The registers collect the inheritance tax, which is applied to the receipt of property from a decedent's estate. As a result of Chapter 497 of 2000, for decedents dying on or after July 1, 2000, all direct beneficiaries (including grandparents, parents, spouses, children, and others) as well as siblings are exempt from the inheritance tax. All other beneficiaries remain subject to the tax at the rate of 10%.

The registers retain 25% of inheritance tax revenues as a commission, with the remaining 75% remitted to the general fund. To the extent that inheritance tax and other revenues (including probate fees) received by the registers of wills exceed the operating costs of the registers' offices, the excess inheritance tax collections are remitted back to the general fund. The registers' revenues (probate fees and the unremitted portion of the inheritance tax) and expenditures are not included in the State budget.

State Revenues: Revenues from the registers' inheritance tax commission and the registers' fees, which are currently off-budget, would be transferred to the general fund beginning in fiscal 2003. For fiscal 2003, inheritance tax revenues are forecasted to be \$58.3 million, with the registers' 25% commissions totaling an estimated \$14.6 million. It is estimated, however, that the registers would revert approximately \$7.4 million of their commission, (based on their forecasted expenditures discussed below) and utilize only \$7.2 million of their inheritance tax commission.

In addition, it is estimated that the registers will collect approximately \$7.4 million in probate and other fees during fiscal 2003. Future year revenue forecasts are illustrated in **Exhibit 1** and reflect the phased-in impact of last year's elimination of inheritance taxes on direct (also known as lineal) beneficiaries and siblings of decedents.

Exhibit 1

| | FY2003 | FY2004 | FY2005 | FY2006 |
|--|---------------|---------------|---------------|---------------|
| Net Increase in Inheritance Tax Revenues | 7.2 | 7.6 | 8.0 | 8.4 |
| Probate and other fees | 7.4 | 7.8 | 8.1 | 8.6 |
| Total GF Revenue Increase | 14.6 | 15.4 | 16.1 | 16.9 |

State Expenditures: The costs of operating the offices of the Registers of Wills would be transferred to the general fund. The cost of those operations in fiscal 2000 was \$12.6 million. For fiscal 2003, these operations are forecasted to total \$14.6 million, based on 5% growth, which reflects historical patterns. Future year forecasts also assume 5% growth. Approximately 250 employees of the 24 registers' offices would become State employees.

Salaries for the registers currently range from \$65,625 in the smaller counties to the maximum permissible \$75,000 in the larger counties. Assuming that the salaries in the larger counties are increased to \$85,000 (or a 13.3% increase) and that all the registers receive the same proportional increase, then salary costs could increase by \$224,600. This increase is assumed to be reflected in future year growth in the costs of the registers' operations.

The bill requires that the registers' budgets be submitted to the Comptroller for inclusion in the State budget. The Comptroller will require two to four additional permanent positions to process the accounting and procurement transactions of the registers' offices, depending on the level of review by the Comptroller. (The Comptroller could simply provide administrative support to the registers -- in which case two additional positions would be required -- or the Comptroller could exercise budgetary control over the registers' offices, in which case four new positions would be required.) The first-year cost of the additional positions would be from \$102,700 to \$172,300 starting in fiscal 2003, including salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. These costs should be offset by corresponding reductions in administrative costs by the registers' offices. To the extent that the Comptroller puts these positions in place prior to the implementation date of the bill, some of these expenses may be incurred in fiscal 2002.

Additional Information

Prior Introductions: None.

Cross File: SB 98 (Senator Baker) - Judicial Proceedings.

Information Source(s): Comptroller's Office, Registers of Wills, Department of Legislative Services

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