

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Senate Bill 244 (Senators Miller and Hoffman)

Budget and Taxation

Ways and Means

Inheritance Tax - Corrective

This bill clarifies and corrects certain provisions of the inheritance tax law made obsolete as a result of the exemption from the inheritance tax for direct (also known as lineal) beneficiaries and siblings under Chapter 497 of 2000.

The bill takes effect July 1, 2001 but is applicable to decedents dying on or after July 1, 2000.

Fiscal Summary

State Effect: None. The changes are corrective in nature.

Local Effect: None.

Small Business Effect: None.

Analysis

Background: Maryland imposes two death taxes. The inheritance tax is applied to the receipt of property from a decedent's estate. Under Chapter 497, for decedents dying on or after July 1, 2000, direct beneficiaries and siblings are exempt from inheritance tax. Direct beneficiaries include parents, grandparents, spouses, children, other lineal descendants, stepparents, and stepchildren, or a corporation if all stockholders are direct beneficiaries. Collateral beneficiaries include all other beneficiaries and are taxed at the rate of 10%.

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. Only estates valued greater than \$675,000 in tax years 2000 and 2001 are subject to the federal estate tax, with the floor increasing each year until 2006 when only estates with a gross value of greater than \$1 million are subject. 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.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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ef/jr

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