

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

Senate Bill 67

(Senators Green and Miller)

Judicial Proceedings and Budget and Taxation

Ways and Means and Judiciary

Estates of Victims of September 11, 2001 Terrorist Attacks

This emergency bill exempts the estates of victims of the September 11, 2001 terrorist attacks from the inheritance tax. It also waives the probate fees for these estates.

This bill applies retroactively to all victim-decedents who died as a result of wounds or injury incurred on September 11, 2001 as a result of the attacks.

Fiscal Summary

State Effect: State inheritance taxes (general funds) would decline by a minimal amount due to the exemption. Waiver of the probate fees would reduce fee collections by the registers of wills (non-budgeted) by approximately \$30,000 (one-time).

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Maryland imposes two death taxes. The inheritance tax 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 and siblings are exempt from the inheritance tax. Direct beneficiaries include grandparents, parents, spouses, children, other lineal descendants, stepparents, and stepchildren, or a corporation if all stockholders are direct beneficiaries. Collateral beneficiaries include all other beneficiaries than those above and are taxed at the rate of 10%.

The general fund receives 75% of inheritance tax revenues, with the remaining 25% going to the registers of wills. To the extent that inheritance tax and other revenues received by the registers of wills exceed expenditures, the excess inheritance tax collections are 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. Thus, for estates valued greater than \$675,000 (the threshold for federal and State estate tax liability in tax year 2001), any inheritance tax reductions are offset by an increase in the estate tax paid.

Probate fees are charged by the registers of wills based on a sliding scale according to the size of the estate.

Background: Congress has passed a bill (H.R. 2884) -- not yet signed by the President -
- reducing the estate tax liability of estates of victims of the September 11 attacks.

State Revenues: It is estimated that 60 to 75 residents of Maryland were victims of the September 11, 2001 attacks. While the estates of these decedents have not *yet all* been processed, it is assumed that the average estate value was between \$150,000 and \$200,000. Under this assumption, there is no impact to State estate taxes because the estates do not meet the threshold for estate tax liability. It is further assumed that for almost all the estates, the property passed to direct heirs, who are not subject to the inheritance. Hence, under this assumption, there is no impact to State inheritance taxes. To the extent that a small number of estates do not meet this assumption and collateral inheritance taxes are exempted, it is likely that the foregone State tax revenue will be minimal.

Estates having a value of \$200,000 would pay probate fees of approximately \$400. Assuming 75 estates, the foregone probate fees for the registers is approximately \$30,000. The operations of the registers of wills are not included in the State budget. The registers advise that the foregone fees will not affect their operations.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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