

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 129 (Delegate Conroy)
Ways and Means

Inheritance Tax - 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.

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

Fiscal Summary

State Effect: State inheritance taxes (general funds) would decline by a minimal amount due to the exemption.

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%.

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.

Background: On February 23, 2002, the federal government enacted legislation (H.R. 2884) reducing the estate tax liability of estates of victims of the September 11 attacks by exempting the first \$8.5 million of a victim's estate from the federal estate tax and the first \$3 million of the estate from state estate taxes.

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 \$150,000 to \$200,000. Under this assumption, there is no impact on 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 tax. 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.

Additional Information

Prior Introductions: None.

Cross File: None. SB 67 (Senators Green and Miller) is a similar bill.

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

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lc/jr

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