

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 9 (Senators Mooney and Harris)
Budget and Taxation

Permanent Repeal of the Death Tax

This joint resolution urges the Maryland Congressional Delegation to support, work to pass, and vote for the immediate and permanent repeal of the death tax.

Fiscal Summary

State Effect: Compliance with this joint resolution would not directly affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: The federal Economic Growth and Tax Reconciliation Act (EGTRA) of 2001 reduces the federal estate tax to zero by 2010, but the bill expires in 2011 and the federal estate tax would return to its pre-2001 level at that time. EGTRA also reduced and ultimately repeals the amount of the credit allowed under the federal estate tax for state death taxes paid (“federal credit”). Maryland, like most states, has an estate tax that was linked to the federal credit. The phase-out of the federal credit under the 2001 federal tax act would have eliminated the State estate tax because the State tax is linked to the federal tax.

To diminish the State's estate tax revenue loss, the Budget Reconciliation and Financing Act of 2002 (Chapter 440 of 2002) partially "decoupled" from the federal estate tax. Chapter 440 provided that other provisions of federal estate tax law, including the applicable unified credit (tax liability threshold for the estate tax) allowed against the federal estate tax, are those in effect on the date of the decedent's death. Under the federal act, the amount of the unified credit is increased from \$700,000 to \$1.0 million in 2002. By 2009, the unified credit will be \$3.5 million under the federal tax act (versus \$1.0 million under prior law). In doing so, the federal act raises the threshold at which estates become subject to the federal estate tax. This higher taxability threshold would also apply to the State estate tax, and was not affected by Chapter 440. In other respects, however, under Chapter 440, the State estate tax would be calculated as if the federal tax act had not phased-out the federal credit.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2003
mf/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
(410) 946-5510
(301) 970-5510