

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 898
 Appropriations

(Delegate Acevero, *et al.*)

Maryland People's Fund - Establishment

This bill establishes the Maryland People’s Fund, which consists of (1) estate tax revenue distributed as specified; (2) money appropriated in the State budget; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund. Expenditures from the fund may only be made in accordance with the State budget. **The bill takes effect January 1, 2025.**

Fiscal Summary

State Effect: General fund revenues decrease by \$48.6 million in FY 2025, and special fund revenues increase by the same amount. Future years reflect continued diversion of general fund revenue to the new Maryland People’s Fund. The Comptroller can distribute estate tax revenues as directed using existing resources. **This bill establishes a mandated distribution beginning in FY 2025.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$48.6)	(\$51.0)	(\$52.0)	(\$52.5)	(\$52.5)
SF Revenue	\$48.6	\$51.0	\$52.0	\$52.5	\$52.5
Expenditure	0	0	0	0	0
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Maryland People’s Fund is a special, nonlapsing fund that cannot be used for administrative expenses. The State Treasurer must invest the money in the fund in the same manner as any other State money may be invested.

The Comptroller must distribute 25% of the State estate tax revenue to the Maryland People’s Fund. After making this distribution, the Comptroller must distribute remaining State estate tax revenue to the general fund.

Current Law: The State imposes a tax on property that passes at or after the death of an individual through an estate tax and an inheritance tax. Estates may generally claim a credit against the estate tax for the amount of inheritance taxes paid. A Maryland estate tax return is required for every estate with a federal gross estate, plus specified adjustments, that equals or exceeds the Maryland estate tax exclusion amount for the decedent’s date of death. An estate with a value that exceeds this exclusion amount must file a return if the decedent, at the date of death, was a Maryland resident or the decedent was a nonresident who owned real or tangible personal property having a taxable *situs* in Maryland.

State Revenues: Under the bill, the Comptroller must distribute 25% of the State estate tax revenue to the Maryland People’s Fund. Estate tax revenues are projected to total \$194.3 million in fiscal 2025; therefore, general fund revenues decrease by an estimated \$48.6 million in fiscal 2025 and special fund revenues increase correspondingly. **Exhibit 1** shows the estimated impact of the bill on the general fund and the new Maryland People’s Fund from the required distributions over the five-year period covered by this fiscal and policy note. Future year estimates reflect the State revenue forecast.

Exhibit 1 Revenue Impact on the General Fund and the Maryland People’s Fund Fiscal 2025-2029 (\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
General Fund	(\$48.6)	(\$51.0)	(\$52.0)	(\$52.5)	(\$52.5)
Maryland People’s Fund	48.6	51.0	52.0	52.5	52.5

Note: The fiscal 2025 revenue impact reflects a full fiscal year despite the bill’s January 1, 2025 effective date, as advised by the Comptroller’s Office.

Source: Comptroller’s Office; Department of Legislative Services

State Expenditures: The Comptroller can distribute estate tax revenues as directed using existing resources.

This analysis does not reflect expenditures from the new Maryland People’s Fund as the bill does not specify how the fund may be used, only that it may *not* be used for administrative expenses and that expenditures may be made only in accordance with the State budget. Under the revenue assumptions above and absent any appropriations in the operating budget, the Maryland People’s Fund will have a fund balance of more than \$256 million available for use by the end of fiscal 2029.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 89 of 2023; HB 470 of 2022; and HB 1101 of 2021.

Designated Cross File: None.

Information Source(s): Comptroller’s Office; Maryland State Treasurer’s Office; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2024
km/hlb

Analysis by: Trevor S. Owen

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