

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1153 (Delegate Adams, *et al.*)
 Ways and Means

Maryland Estate Tax - Unified Credit

This bill conforms the Maryland estate tax to the value of the unified credit under the federal estate tax for decedents dying on or after January 1, 2026, thereby increasing the amount that can be exempted under the State estate tax. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: No effect in FY 2026. General fund revenues decrease by an estimated \$24.9 million in FY 2027. Future years reflect annualization, the current estate tax forecast, and projected values of the federal unified credit. Expenditures are not affected.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	\$0	(\$24.9)	(\$35.2)	(\$37.2)	(\$42.0)
Expenditure	0	0	0	0	0
Net Effect	\$0.0	(\$24.9)	(\$35.2)	(\$37.2)	(\$42.0)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The estate tax is imposed on the transfer of the Maryland estate of a decedent who, at the time of death, was (1) a resident of the State or (2) a nonresident whose estate includes any interest in tangible real property located in the State or tangible personal property with a taxable *situs* in the State. The Maryland estate tax is based on the

federal credit for death taxes paid as in effect on December 31, 2001, before the phase-out and repeal of the credit under the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Because the federal credit is calculated based on a marginal rate schedule, no tax rates are specified in Maryland statute. A top marginal rate of 16% is applied to the portion of the adjusted taxable estate in excess of \$10,040,000. Estates are allowed a credit against the Maryland estate tax for Maryland inheritance tax paid.

The unified credit allowed against the federal estate tax effectively excludes a portion of the taxable estate from taxation (applicable exclusion amount). Maryland decoupled from increases in the value of the federal unified credit allowed against the federal estate tax for decedents dying after 2003. For decedents dying after 2018, the unified credit for Maryland estate tax purposes is \$1,945,800 – the amount which effectively excludes the first \$5.0 million of the taxable estate from tax.

The federal Tax Cuts and Jobs Act of 2017 (TCJA) doubled the federal basic exclusion amounts for 2018 through 2025 only. For 2025, the federal basic exclusion amount is \$13.99 million. Per current federal law, after 2025, the federal basic exclusion amount will revert to the pre-TCJA level, which is \$5.0 million as adjusted for inflation for years after 2011.

State Fiscal Effect: General fund revenues decrease by an estimated \$24.9 million in fiscal 2027, \$35.2 million in fiscal 2028, \$37.2 million in fiscal 2029, and \$42.0 million in fiscal 2030 due to decreases in estate tax collections. The Department of Legislative Services estimates that the federal basic exclusion amount will total approximately \$7.1 million for 2026 and \$7.7 million for 2030.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 928 and HB 1014 of 2024.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Internal Revenue Service; Moody's Analytics; Department of Legislative Services

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js/jrb

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