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§7–203.

(a) The inheritance tax does not apply to the receipt of an annuity or other payment under a public or private employees' pension or benefit plan if the annuity or other payment is not taxable for federal estate tax purposes.

(b) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Child" includes a stepchild or former stepchild.

(iii) "Parent" includes a stepparent or former stepparent.

(iv) "Surviving spouse" means a surviving spouse who has not remarried.

(2) The inheritance tax does not apply to the receipt of property that passes from a decedent to or for the use of:

(i) a grandparent of the decedent;

(ii) a parent of the decedent;

(iii) a spouse of the decedent;

(iv) a child of the decedent or a lineal descendant of a child of the decedent;

(v) a spouse of a child of the decedent or a spouse of a lineal descendant of a child of the decedent;

(vi) a surviving spouse of a deceased child of the decedent or of a deceased lineal descendant of a child of the decedent who was married to the child or lineal descendant of the child at the time of the child's or lineal descendant's death;

(vii) a brother or sister of the decedent; or

(viii) a corporation, partnership, or limited liability company if all of its stockholders, partners, or members consist of individuals specified in items (i) through (vii) of this paragraph.

(c) The inheritance tax does not apply to the receipt of the first $500 of property that passes from a decedent under a will for the perpetual upkeep of graves.

(d) The inheritance tax does not apply to the receipt of the proceeds of a life insurance policy payable to any beneficiary other than the estate of the insured.

(e) The inheritance tax does not apply to the receipt of property that passes from a decedent to or for the use of an organization that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code or to which transfers are deductible under § 2055 of the Internal Revenue Code if the organization:

(1) is incorporated under the laws of this State;

(2) conducts a substantial part of all its activities in this State or in the District of Columbia; or

(3) has its principal place of business in a jurisdiction whose law:

(i) does not impose death taxes on the receipt of property that passes from a decedent to a beneficiary of this State that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code or to which transfers are deductible under § 2055 of the Internal Revenue Code; or

(ii) contains a reciprocal exemption from death taxes similar to the exemption allowed in this subsection.

(f) (1) Except as provided in paragraph (2) of this subsection, the inheritance tax does not apply to the receipt of personal property that passes from a nonresident decedent if, at the time of death, the decedent is a resident of a state or foreign country whose law, on the date of the decedent's death:

(i) does not impose death taxes on the receipt of similar personal property of a resident of this State; or

(ii) contains a reciprocal exemption from death taxes similar to the exemption allowed under this subsection.

(2) The exemption under paragraph (1) of this subsection does not include the receipt of tangible personal property that has a taxable situs in this State.

(g) The inheritance tax does not apply to the receipt of property that passes from a decedent to any 1 person if the total value of the property does not exceed $1,000.

(h) The inheritance tax does not apply to the receipt of property that is distributed from an estate that qualifies under § 5–601 of the Estates and Trusts Article for administration as a small estate.

(i) The inheritance tax does not apply to the receipt of property that passes from a decedent to the State, a county, or a municipal corporation of the State.

(j) The inheritance tax does not apply to the receipt of property that is income, including gains and losses, accrued on probate assets after the date of death of the decedent.

(k) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Holocaust victim" means an individual who died or lost property as a result of discriminatory laws, policies, or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation, or national origin, whether or not the individual was actually a member of any of those groups, or because the individual assisted or allegedly assisted any of those groups, between January 1, 1929 and December 31, 1945, in the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, areas occupied by those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of invasion by Nazi Germany or by any European country allied with or occupied by Nazi Germany.

(iii) "Nazi Germany" means:

1. for the period from 1929 to 1933, the Republic of Germany, commonly referred to as the Weimar Republic; and

2. for the period from 1933 through 1945, Deutsche Reich.

(2) The inheritance tax does not apply to the receipt of property that is:

(i) tangible or intangible property or compensation for tangible or intangible property that was seized, misappropriated, or lost as a result of the actions or policies of Nazi Germany toward a Holocaust victim; or

(ii) amounts received by a decedent as reparations or restitution for the loss of liberty or damage to the health of the decedent because the decedent was:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(3) The exclusion under paragraph (2) of this subsection includes interest on the proceeds receivable as insurance under policies issued by European insurance companies prior to and during World War II to a Holocaust victim.

(4) The exclusion under paragraph (2) of this subsection does not include:

(i) assets acquired with the assets described in paragraph (2) of this subsection; or

(ii) assets acquired with the proceeds from the sale of the assets described in paragraph (2) of this subsection.

(5) The subtraction under paragraph (2)(i) of this subsection shall only apply if the decedent:

(i) was the first recipient of the assets described in paragraph (2)(i) of this subsection after their recovery; and

(ii) was:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(l) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Domestic partner" means an individual with whom another individual has established a domestic partnership.

(iii) "Domestic partnership" means a relationship between two individuals that is a domestic partnership:

1. under § 6–101(a) of the Health – General Article; or

2. registered in accordance with § 2–214 of the Estates and Trusts Article.

(2) If the domestic partner of a decedent provides the affidavit described in § 6–101(b)(1) of the Health – General Article or any two of the proofs of domestic partnership listed under § 6–101(b)(2) of the Health – General Article, the inheritance tax does not apply to the receipt of an interest in a joint primary residence that:

(i) at the time of death was held in joint tenancy by the decedent and the domestic partner; and

(ii) passes from the decedent to or for the use of the domestic partner.

(3) For a domestic partnership registered in accordance with § 2–214 of the Estates and Trusts Article, the inheritance tax does not apply to the receipt of property that passes from the decedent to or for the use of the domestic partner of the decedent.

(m) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Farming purposes" has the meaning stated in § 2032A(e)(5) of the Internal Revenue Code.

(iii) "Perpetual conservation easement" means an easement on real property that perpetually restricts the use of the real property to farming purposes.

(2) The inheritance tax does not apply to the receipt of real property that is subject to a perpetual conservation easement and passes from a decedent to or for the use of a niece or nephew of the decedent.

(3) (i) The inheritance tax shall be recaptured as provided in this paragraph if the real property that is excluded under paragraph (2) of this subsection ceases to be used for farming purposes.

(ii) The amount of the inheritance tax imposed under this paragraph shall be the inheritance tax that would have been payable at the time of the decedent's death but for the provisions under paragraph (2) of this subsection.

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