

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 214 (Chair, Education, Energy, and the Environment
Committee)(By Request - Departmental - Natural
Resources)
Education, Energy, and the Environment

**Natural Resources - Vessel Transfers - Transfer-on-Death Beneficiary
Designation**

This departmental bill authorizes an individual who is the sole owner of a vessel to designate a beneficiary to take ownership of the vessel on the death of the owner outside of estate administration.

Fiscal Summary

State Effect: Special fund revenues may increase, beginning in FY 2027, potentially significantly, as discussed below (under one scenario, special fund revenues increase by \$265,540 in FY 2027). General fund revenues may decrease each year, potentially only minimally, beginning in FY 2027, as discussed below. Expenditures are not affected.

Local Effect: The bill is not expected to directly affect local government finances.

Small Business Effect: The Department of Natural Resources (DNR) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Transfer-on-death Beneficiary Designation

An individual who is the sole owner of a vessel may apply to DNR to designate a beneficiary to take ownership of the vessel on the death of the owner. The designation of a

beneficiary may be shown by the words “transfer-on-death” (TOD) after the name of the registered owner on a certificate of title. The application for the certificate of title must include the name and mailing address of the beneficiary. DNR is authorized to charge a fee, not to exceed its costs, for issuing the certificate of title. Designation of a beneficiary does not affect the ownership of the vessel until the owner dies.

The owner of a vessel may cancel or change the designation of a beneficiary at any time without the consent of the beneficiary by applying to DNR. The designation of a beneficiary is not required to be supported by consideration, and the certificate of title of the vessel for which the designation is made is not required to be delivered to the beneficiary in order for the designation to be effective.

On the death of the owner, ownership of the vessel passes to the beneficiary if the beneficiary survives the owner. If a designated beneficiary does not survive the owner, the vessel is part of the deceased owner’s estate.

A surviving designated beneficiary must apply to DNR for a new certificate of title for the vessel. The application must include (1) the original certificate of title designating the beneficiary; (2) a death certificate for the deceased owner; (3) proof of the identity of the beneficiary; and (4) any applicable taxes or fees. The bill does not limit the rights of creditors of vessel owners against beneficiaries and other transferees under Maryland law.

DNR is authorized to adopt regulations to carry out these provisions.

Vessel Definition

“Vessel” means a vessel, as the term is defined under the vessel excise tax and certificate of title fee provisions of the Natural Resources Article (§ 8-716).

Current Law:

Motor Vehicles – Transfer-on-death Beneficiary Designation

Under current law, an individual who is the sole owner of a motor vehicle may apply to the Motor Vehicle Administration (MVA) to designate a beneficiary to take ownership of the motor vehicle on the death of the owner. The provisions of the bill (applicable to vessels – see Bill Summary) are substantively identical to the provisions in § 13-115 of the Transportation Article that allow an individual who is the sole owner of a motor vehicle to designate a TOD beneficiary.

Certificate of Title – Fees

DNR charges a \$20 fee to issue a certificate of title, a transfer of title, or a duplicate or corrected certificate of title.

Property of a Deceased Person

Under the Estates and Trusts Article, all property of a decedent (deceased person) is subject to the estates of decedents law, and upon the person's death must pass directly to the personal representative (a fiduciary who settles and distributes the estate of the decedent in accordance with the terms of any will and the estates of decedents law) for administration and distribution. "Property" is all real and personal property of the decedent and any right or interest in the property, which does not pass, at the time of the decedent's death, to another person by the terms of the instrument under which it is held, or by operation of law.

Background: DNR indicates that it does not have authority (that MVA has with respect to motor vehicles) to allow an individual vessel owner to designate a beneficiary on the certificate of title to take ownership when the vessel owner dies. Allowing an individual owner of a vessel to designate a TOD beneficiary outside of estate administration streamlines DNR's administrative process to transfer title at the death of the owner, and simplifies acquiring title to the vessel by the beneficiary.

State Revenues:

State Boat Act Fund

Special fund (State Boat Act Fund) revenues may increase, beginning in fiscal 2027, to the extent that individuals who are sole owners of vessels apply for a new certificate of title in order to designate a TOD beneficiary under the bill. DNR indicates that there are currently approximately 132,770 vessels with sole ownership, and an individual who is a sole owner who applies for a new certificate of title in order to designate a TOD beneficiary will go through the current replacement or corrected title application process and be charged the applicable \$20 fee. The number of such individuals that will apply for a new certificate of title in order to add a TOD beneficiary designation cannot be reliably estimated; however, *for illustrative purposes only*, if 10% of the owners of the 132,770 vessels with sole ownership apply for a new certificate of title as result of the bill in fiscal 2027, special fund revenues increase by \$265,540.

DNR advises that adding a TOD beneficiary designation as part of an application for issuance of a certificate of title for other reasons (after a purchase, for example) will not add any cost to the \$20 fee charged for the title.

General Fund

General fund revenues may decrease each year, beginning in fiscal 2027, due to reduced probate fee and inheritance tax revenues collected by the registers of wills, which oversee administration of decedents' estates. Vessels transferred under the bill's TOD provisions are transferred outside of the probate estate, removing property from the probate estate, and probate fees are collected by the registers of wills based on the value of the probate estate. The transfers are still subject to inheritance tax if the beneficiary is a taxable individual, but if the decedent has no other probate assets, the transfer may not be reported, and the tax may not be collected. The extent of any decrease in general fund revenues cannot be reliably estimated but may only be minimal, in part because the transfer of a vessel upon the owner's death may, in many cases, be to a person exempt from the inheritance tax (*e.g.*, spouse, child, other lineal descendant, or other specified family members – see § 7-203 of the Tax-General Article).

Registers of wills' salaries and office expenses are paid from fees and inheritance tax revenues collected by the registers, with the remainder of the revenues deposited in the State general fund.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1011 of 2024.

Designated Cross File: HB 244 (Chair, Environment and Transportation Committee)(By Request - Departmental - Natural Resources) - Environment and Transportation.

Information Source(s): Judiciary (Administrative Office of the Courts); Orphans' Court of Baltimore County; Register of Wills; Department of Natural Resources; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Natural Resources - Vessel Transfers - Transfer-on-Death Beneficiary Designation

BILL NUMBER: SB 214

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

☒ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

☐ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Minimal impact expected. Watermen looking to pass down their business to family members or a close partner/friend may find this new streamlined process to be beneficial.