

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 98
(Delegate Cardin)
Ways and Means

Inheritance Tax - Beneficiaries of Limited Means - Installment Payments

This bill requires a register of wills, on request by a beneficiary of limited means, to allow an installment payment plan for inheritance tax due if payment of the tax on the due date would require the sale of the eligible real property. A beneficiary of limited means may apply for the installment payment plan by filing with the register an application on the form and in the manner that the register requires. The register must specify the installment payment schedule and the amount of any installment payments authorized. **The bill takes effect July 1, 2026, and applies to all decedents dying on or after July 1, 2026.**

Fiscal Summary

State Effect: While overall inheritance tax revenues are not materially affected, revenue collections are potentially delayed beginning in FY 2027, thus reducing general fund revenues in the near term, as discussed below. Nonbudgeted revenues and expenditures for the registers of wills may increase by an indeterminate amount in FY 2027 only for one-time programming, as discussed below. General fund revenues decrease by a corresponding amount.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Beneficiary of limited means” is defined as an individual entitled to property of a decedent if the individual’s federal adjusted gross income does not exceed

\$125,000, or \$250,000 for spouses filing a joint return or for a surviving spouse or head of household as defined in § 2 of the Internal Revenue Code.

“Eligible real property” is defined as real property that (1) passes from the decedent to a beneficiary of limited means and (2) is the primary residence of the beneficiary of limited means or is agricultural land that the beneficiary of limited means maintains as agricultural land.

Current Law: The inheritance tax is imposed on the privilege of receiving property that has a taxable *situs* in the State and passes from a decedent to a collateral beneficiary (*i.e.*, a person other than a lineal relative or sibling of the decedent). Property that passes to “direct” or lineal beneficiaries or siblings of the decedent is exempt from the tax. The law also provides for several additional exemptions to the inheritance tax.

The tax is imposed on property that passes at or after the death of an individual by will or under Maryland’s laws of intestacy, by trust, or otherwise. The tax applies to all property in which the decedent had an interest that may be passed on to heirs, including joint tenancies, remainder interests, property transferred in contemplation of death, or property transferred during life over which the decedent retained any dominion. The inheritance tax rate of 10% is applied to the “clear value” (fair market value minus expenses) of the property that passes from a decedent.

Section 7-218 of the Tax-General Article authorizes the Comptroller to allow an alternative payment schedule for the inheritance tax, not exceeding a five-year period, if payment of the tax on the due date would require the sale of a small business (as defined) or any interest in a small business that passes from a decedent. However, the provision makes no reference to the registers of wills, which are otherwise statutorily charged with administering and collecting the inheritance tax. Currently, the Comptroller’s Office has no procedures with respect to alternative payment schedules for the inheritance tax.

State Fiscal Effect: The bill is not expected to materially affect the overall amount of inheritance tax collections, though it may result in a reduction in interest and penalty revenues. However, the timing of inheritance tax revenue collections may be delayed beginning in fiscal 2027, thus reducing general fund revenues in the near term. The precise effect on general fund revenues depends on the volume and timing of installment payments under the bill. The registers of wills have previously advised the Department of Legislative Services that most estates do not include agricultural property, and most of the estates that do are not subject to the inheritance tax due to available exemptions. As a point of reference, the December 2025 revenue forecast assumes inheritance tax revenues of \$101.8 million in fiscal 2026 and \$103.8 million in fiscal 2027.

The registers of wills advise that they do not currently possess the system capability to administer installment payment plans. The registers retain a portion of inheritance tax collections to defray expenses; thus, nonbudgeted revenues and expenditures for the registers of wills increase in fiscal 2027 only for one-time programming costs, and general fund revenues decrease by a corresponding amount. A precise cost estimate is not available at this time.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 245 of 2025, HB 100 of 2024, and HB 100 of 2023.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); Register of Wills; Maryland Department of Agriculture; Department of Legislative Services

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gj/jrb

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