

Maryland Can't Afford Another Giveaway for Wealthy Heirs

Position Statement in opposition to Senate Bill 211

Given before the Senate Budget and Taxation Committee

An effective revenue system is an essential tool to enable Maryland to invest in the foundations of our economy such as education, health care, and transportation. Just as importantly, a fair tax system is essential to push back against a radical federal policy agenda to concentrate wealth and power in a few hands. All Marylanders benefit when we have sufficient resources to invest in the basics, and these investments can be particularly important to break down the barriers – built through past and present policies – that hold back many Marylanders because of their race, gender, a disability, or another aspect of their identity. **The Maryland Center on Economic Policy opposes Senate Bill 211** because it would deepen inequities in our tax code and make it harder to invest in Maryland communities.

Maryland's estate tax is an important part of our tax code, generating \$146 million in FY 2025 to support our investments in education, health care, and other pillars of our economy. This is more than the state invested from its general fund in dozens of agencies that year. A small sample:

- Department of Natural Resources (\$118 million)
- Maryland State Library Agency (\$101 million)
- Maryland Department of Labor (\$101 million)
- Governor's Office for Children (\$49 million)
- Maryland School for the Deaf (\$48 million)

The estate tax also plays an important balancing role. The wealthiest 1% of Maryland households (those with annual income over \$700,000) pay a smaller share of their income in state and local taxes than middle-income families, on average, and barely more than those getting by on the lowest incomes.ⁱ Our tax system would create deeper inequity without the estate tax, which is one of the only ways the state taxes accumulated wealth.

Taxing inherited wealth is especially important as a way to make our tax code more racially equitable, because it applies only to households receiving intergenerational transfers of wealth. Nationwide, the wealthiest 10% of white households control nearly two-thirds of all household wealth.ⁱⁱ

Senate Bill 211 would hand a tiny number of wealthy heirs yet another windfall just after President Trump's 2025 megabill permanently extended his 2017 estate tax cut, allowing estates of up to \$30 million (for couples) to avoid paying a cent of federal estate tax. Altogether, that law hands \$57,000 in annual tax cuts to those in the wealthiest 1% on average, swamping the more modest increases for wealthy households under last year's state tax reforms.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make an unfavorable report on Senate Bill 211.

Equity Impact Analysis: Senate Bill 211

Bill summary

Senate Bill 211 would repeal Maryland's estate tax for decedents dying after June 30, 2026.

Background

Maryland's estate tax raised \$146 million in fiscal year 2025.

State and federal lawmakers have in recent years enacted significant cuts to the estate tax:

- In 2014, Maryland lawmakers increased the estate tax exemption from \$1 million to \$5 million, costing well over \$100 million in lost revenue each year.
- In 2017, Congress and President Trump temporarily doubled the federal estate tax exemption and set it to increase each year, at a nationwide cost of about \$9 billion per year.
- In 2025, Congress and President Trump made the 2017 cut permanent, exempting estates of up to \$30 million (for couples) from the federal estate tax.

Equity Implications

Senate Bill 211 would deepen inequity through two channels:

- Repealing the estate tax would cost well over \$100 million in lost revenue that could otherwise be invested in things like public schools, child care, and disability services. Investing in these basics strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.
- Repealing the estate tax would further tilt our tax code in favor of the wealthy and powerful. The estate tax by definition applies only to estates with significant built-up assets. Already, the wealthiest 1% of Maryland households pay a smaller share of their income in state and local taxes than middle-income households, and barely more than those with annual income under \$30,000.
- Moreover, exempting intergenerational wealth transfers from taxation worsens racial injustice. Nationwide, the wealthiest 10% of white households (6% of all households) control nearly two-thirds of all household wealth. Senate Bill 211 would predominantly benefit this group at the expense of everyone else.

Impact

Senate Bill 211 would likely **worsen racial and economic inequity** in Maryland.

ⁱ Institute on Taxation and Economic Policy microsimulation tax model, unpublished estimates. The wealthiest 1% pay 9.8% of their income in state and local taxes on average, compared to 9.6% for those taking home less than \$30,000 per year and 11.2% for those taking home between roughly \$60,000 and \$100,000 per year. For analysis of Maryland's tax code before the 2025 tax reforms, see Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>

ⁱⁱ Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>