

MD Legislature Increases Estate Tax Exemption

By Michelle Chapin

The Maryland Senate passed a bill that increases the estate tax exemption gradually over the next 5 years, at which time the exemption will be tied to the federal exemption amount. The federal exemption is indexed for inflation, and is expected to approach \$5.9 million by 2019. The House voted to pass the same legislation earlier this month. Governor Martin O'Malley is expected to sign the bill into law.

The estate tax exemption is the amount a Maryland resident may pass to beneficiaries at death without incurring an estate tax. Accordingly, a Maryland resident who dies in 2019 is expected to be able to pass \$5.9 million of assets without incurring a Maryland or a federal estate tax.

This bill is helpful to Maryland residents because it lessens the impact of or even eliminates a state level estate tax they may otherwise incur. As a result, these residents may pass a larger portion of their wealth to their beneficiaries.

The projected fiscal impact of this bill on the Maryland Budget is an annual revenue reduction of \$105 million in 2019, once the Maryland exemption is recouped with the federal exemption. While the bill causes a loss in estate tax revenue, the legislature hopes to recoup these amounts by encouraging wealthy residents to remain in Maryland, where they will continue to pay taxes including, but not limited to, income and sales tax.

We suggest you review your estate plan to determine how this law affects your plan. Please contact us if you would like our assistance in this review.