

Changes in MD Estate Planning Laws Affect Individuals

By Deborah Cohn

Several significant changes enacted this year by the Maryland legislature may affect your estate planning. Perhaps the most important development, however, is a non-change. Maryland did not increase its separate estate tax exemption. It is currently \$1 million and remains much lower than the Federal exemption, which this year increased to \$3.5 million.

As a result of these exemptions, many individuals can eliminate federal estate taxes, but still are impacted by the significant state estate tax. With proper planning, married couples can defer this tax until the survivor's death. **Yet we find that many Maryland couples have not incorporated the necessary provisions in their Wills and Revocable Trusts to take advantage of this tax deferral.**

Pet Trusts Come to Maryland

Maryland pet lovers can rejoice come October 1, 2009, when they can start setting aside funds from their estate in a special trust for the care of their treasured pets. These trusts include enforcement mechanisms that are designed to ensure that the funds left for the care of a pet will be used as intended and that the four-legged members of the family will receive proper care.

Registered Domestic Partners Receive Limited Relief from Maryland Inheritance Tax

In some situations, Maryland imposes a separate 10% inheritance tax in addition to the Maryland estate tax. While exemptions exist for transfers to certain close relatives and charities, transfers to a domestic partner have been subject to this tax. This year Maryland created a new exemption covering transfers of a jointly owned primary residence to a domestic partner. Taking advantage of this new exemption, however, requires some planning and procedural maneuvers, as the exemption is only available to couples that have established a domestic partnership.