# Is the Maryland Death Tax Facing Extinction?

By Deborah Cohn

Not quite, to be sure, but the Maryland House of Delegates passed House Bill 739 ("Maryland Estate Tax – Unified Credit") increasing the Maryland estate tax exemption (the amount an individual can pass free of Maryland estate tax) gradually over the next five years to the federal estate tax exemption. This bill now moves to the Maryland Senate.

The bill increases the Maryland estate tax exemption for individuals dying after 2014 as follows:

- 2015 – $1,500,000
- 2016 – $2,000,000
- 2017 – $3,000,000
- 2018 – $4,000,000
- after 2018 – the federal estate tax exemption (currently $5,340,000 adjusted annually for inflation)

Maryland legislators appear concerned that more and more wealthy individuals with second homes in Delaware, Virginia, West Virginia or Florida may move out of the state to avoid various Maryland taxes. Even though Maryland will lose significant estate tax revenues if this legislation is enacted, some of these lost revenues may be recouped through the retention of income and other tax revenues if more wealthy Maryland residents remain in the State. Indeed, Comptroller Peter Franchot supported the changes and the Governor, while not expressing a formal position, may be willing to work with the General Assembly leadership.

If this bill is enacted into law, we at Paley Rothman anticipate that as individuals design their estate plans, more will choose to emphasize income tax planning and asset protection. Many of our clients select estate plans with flexible tax planning provisions. While these plans may continue to take advantage of tax planning goals even as tax laws change, these plans may not be consistent with individuals' personal wishes for disposing of assets. We therefore recommend that all individuals review their existing estate plans in light of current personal and tax planning goals.