

MARYLAND ESTATE TAX CHANGE PROPOSED

Democratic leaders have discussed proposing legislation to reduce Maryland's estate tax by recoupling the estate tax exemption to federal standards. The "death tax" is considered one of the reasons that wealthy retirees choose to leave Maryland for states with lower taxes.

"We're going to phase out the estate tax," Senate President Mike Miller told a conference of the Maryland Economic Development Association Thursday, "and raise it to the federal level."

House of Delegates Speaker Michael Busch, speaking on the same panel of Assembly leaders, said, "I think we have to recouple with the federal government ... I think it is a fairness issue."

If the legislation passes, it could cut Maryland taxes by \$14 million this fiscal year and by as much as \$87 million four years from now. The estate and inheritance tax represents less than 2% of all Maryland revenues. While very few estates actually pay any taxes, this has been an important planning consideration for many of our clients

Maryland is one of only 14 states that taxes the assets left by deceased residents and one of only seven states that taxes inheritance, the levy heirs must pay on the money left to them. Maryland currently taxes estates of single people worth over \$1 million at 16%. The federal government excludes the first \$5 million of estates from taxes for single people, but taxes anything over that at 40%.

Maryland and other states had long followed the federal standards on estate taxes. In 2002, as Congress sought to reduce federal death taxes, Maryland chose to "decouple" its estate tax from the higher federal exclusion.

Gov. Martin O'Malley said Thursday he hadn't considered any change in the estate tax, but "I'm glad to talk with them" about it. He would like to see "some compelling evidence that we're losing more than we gain" by taxing estates differently than the federal standard. In 2012, O'Malley signed legislation setting the estate tax exemption on family-owned farms at \$5 million and the estate tax rate on those properties at 5%.

Senate Republican Leader David Brinkley, who is a financial advisor, said, "I applaud the idea of trying to recouple with the federal government." House Minority Leader Nic Kipke said he was "happy to hear about reducing taxes."

If the proposed legislation is enacted into law, it could be a huge boon for our clients living in Maryland. Please follow our blog for updates on this issue and other news related to insurance planning.

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CONGRATULATIONS!

We are excited to announce that Sarah Patgorski, our New Business Manager, just got engaged to Jeremiah Quinn during this past holiday season. Jeremiah is in the United States Navy and they plan to reside in DC.

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