

MAY 2014

New Changes in Calculating Maryland Estate Tax Liability

By James T. Montgomery, Jr.

Please be aware that the Governor and General Assembly of Maryland just last week enacted a law which changes the calculation of the state-level estate tax in the State of Maryland. This change is perhaps the most significant change to the Maryland estate tax in more than ten years.

Even though Maryland remains one of the few states which imposes both an inheritance tax and an estate tax upon the death of a resident, the estate tax component has long permitted an exemption of only \$1 million in value to escape the Maryland estate tax altogether. As of last week, the Maryland estate tax law will now increase the exemption amount gradually over a phase-in period of 5 years – an increased exemption amount of \$1.5 million for persons dying during 2015; \$2 million for 2016; \$3 million for 2017; and \$4 million for 2018. Beginning in 2019, the Maryland estate tax exemption will conform to the comparable indexed exemption amount available for Federal estate tax purposes (currently, \$5,340,000.00).

In light of this change in Maryland's law, estate plan and trust arrangements previously based on prior Maryland law may need to be revisited to ensure that the intended disposition of assets is preserved.