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GUEST COMMENT

Recouple the estate tax in Md.

For Marylanders, it is now cheaper to die in 45 other states.

That is why the Maryland General Assembly needs to approve recently proposed legislation to gradually "recouple" Maryland's estate tax to the federal tax over a four-year period. Not only would this establish a more fair tax policy across state lines, but it would also reduce incentives for estate planning through residency change. At the same time, by keeping more wealthy Marylanders in the state, recoupling would enable the state to maximize income, property and sales tax revenue that would be lost.

Currently, a successful middle-class millionaire in Maryland who has prudently saved over many years of hard work will be taxed at the rate of 10 percent, going up to 16 percent, on an estate of more than $1 million. Maryland is one of only seven states that have a lower estate tax threshold compared with the federal estate tax exclusion of $5.25 million.

In 2002, as Congress sought to reduce federal death taxes, Maryland chose to "decouple" its estate tax from the higher federal exclusion.

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For the state of Maryland to recouple estate taxes to the federal standard is good for affluent Marylanders who want to stay in the state. Currently, they have a financial incentive to move away to avoid paying this so-called "death tax" – to Virginia, Delaware, North Carolina, Florida or 41 other states that do not impose estate taxes. I see clients who reside in Montgomery County making decisions to leave the state on a recurring basis because of this tax. These are middle-class people who have prudently saved and own a modest-sized house. It's not unusual for them to have $1 million or more saved up, which is about how much is needed to retire comfortably in Montgomery County.

Most of my clients who live in Maryland have family members in the state and want to remain here when they retire. Unfortunately, when they learn that to die in Maryland with a $3 million estate it will cost them $200,000 or so in death taxes, a good number decide to move.

Maryland's estate tax burden is also a drain on tax revenue. Today, a couple 65 years old living in Maryland has a joint life expectancy of 26 years, which means the state is potentially losing 26 years of retirees' income tax on pensions and IRA distributions, plus property taxes, sales taxes and user fees.

Maryland residents who are in the $1 million to $5 million estate range should be watching their legislators. As the small business committee co-chair of the Montgomery County Chamber of Commerce, I have discussed this issue with local legislators.

The chamber's position is that this tax is very short-sighted. In the Free State, death should not come with an exorbitant price tag in the form of a hefty estate tax bill.