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Md. Senate passes estate tax

By: Bryan P. Sears March 20, 2014

ANNAPOLIS — The Senate gave final approval Thursday to a bill that, when fully phased in, will recouple Maryland's estate tax rate with that of the federal government.

The Senate voted 36-10 to approve House Bill 739.

Proponents said the change is needed to encourage millionaires to stay in Maryland.

Sen. David R. Brinkley, R-Frederick, said Maryland has lost billions in tax revenue to others states, mostly in the south, because of the estate tax.

"I've had five clients I've advised to stay in Florida another 32 days, declare residency and see what the bill is," said Brinkley, who is a financial adviser.

The savings can amount to as much as $1 million for a couple, he said.

"You can buy an awful lot of airline tickets to go back and forth to see the grandchildren with that money," Brinkley said.

Opponents, like Sen. Paul G. Pinsky, D-Prince George's, said the change is unnecessary and will result in the loss of as much as $150 million in annual revenue.

"We are choosing the priority of spending on this tax reduction," Pinsky said.

The bill raises the exemption to $1.5 million next year and $2 million in 2016. The exemption increases to $3 million in 2017 and $4 million in 2018 before being coupled with the federal exemption in 2019.

The federal exemption, which is indexed to inflation, is projected to be $5.9 million in 2019.

The change reduces revenue in fiscal 2016 by $21 million. The cost climbs to $25 million in fiscal 2017 and $31 million in fiscal 2018. In fiscal 2019, when the state is fully coupled with the federal rate, the change would cost about $105 million.

Pinsky said that the change isn't needed because millionaires are not fleeing the state because of the estate tax.

"I see no legitimate study, or any study, that people are leaving because of the estate tax," Pinsky said.

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Clark Kendall, president and founder of Rockville-based Kendall Capital, said many of his clients who live in the Montgomery County and Washington, D.C., areas can approach more than a million dollars in assets pretty easily between a home and retirement assets.

"We're not talking Bill Gates or Kevin Plank or Cal Ripken," Kendall said. "These are working-class stiffs. We have a lot of school teachers and policemen and middle managers."

Maryland has not altered its estate tax for about 12 years. For the last decade, retirees who would be affected by the higher tax in Maryland have made the decision to leave, Kendall said.

Kendall said the current state estate tax rate can cost someone with $5 million in assets at the time of their death as much as $640,000 compared to states such as Virginia and Delaware.

"What this really does is gives people less of an incentive to move away," Kendall said.

Kendall joked that he's telling his clients, "Don't die in the next five years and keep doing your push-ups."

The bill now goes to Gov. Martin J. O'Malley for his signature.

"We will, of course conduct the customary reviews before making any final determinations, but we expect the governor to sign this bill into law," said Nina Smith, an O'Malley spokeswoman. "Having passed this measure, the governor hopes that the General Assembly will now finish the work of giving Maryland a raise, and increase our minimum wage to $10.10 an hour."

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