

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE

House Bill 826

(Delegate Hixson, *et al.*)

Ways and Means

Budget and Taxation

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Estate Tax - Alternative Payment Schedule - Penalty Prohibition

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This bill prohibits the Comptroller from assessing a penalty for the late payment of the estate tax if the estate pays the estate tax in accordance with an approved alternative payment schedule.

The bill takes effect July 1, 2015, and applies to estates that apply for an alternative payment plan after June 30, 2015.

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Fiscal Summary

**State Effect:** Minimal decrease in general fund revenues beginning in FY 2016 due to a reduction in penalty revenues. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law/Background:** If required, an estate tax return must be filed within nine months of a decedent's death with the Comptroller's Office or the register of wills, unless the Comptroller grants an extension. A filing extension does not extend the tax payment due date.

The person responsible for filing the Maryland estate tax return and paying the tax or the authorized agent of the estate may submit a written request for an alternative payment schedule. In order to be eligible, the application must include the Maryland estate tax

return or estimated amount of estate tax due and proposed payment schedule. The proposed payment schedule may be a deferral of payment (of up to one year, unless granted an additional deferral) or an installment schedule for periodic payments. The application must contain additional specified information, including an inventory of the assets comprising the estate and certification that no distributions have been made or will be made before taxes are paid.

The Comptroller is required to assess (1) interest on unpaid Maryland estate tax beginning nine months after the date of the decedent's death and applies to all Maryland estate tax not paid by that date, including payments made in accordance with an approved alternative payment plan and (2) for failing to pay the estate tax, a penalty not to exceed 10% of the unpaid tax. For reasonable cause, the Comptroller may waive interest and penalties assessed against an estate.

**State Revenues:** The bill prohibits the Comptroller from assessing a penalty for the late payment of the estate tax if the estate pays the estate tax in accordance with an approved alternative payment schedule. As a result, general fund revenues will decrease beginning in fiscal 2016 due to a reduction in penalty revenues. The Comptroller's Office advises that due to the limited number of estate tax returns impacted, any loss in revenue is expected to be minimal. In addition, the Comptroller's Office advises it typically waives the penalty if the estate requests a waiver.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 178 (Senators Kasemeyer and Waugh) - Budget and Taxation.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2015  
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