



BYRON E. MACFARLANE
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February 22, 2023

The Honorable Guy Guzzone, Chair
Budget and Taxation Committee
Miller Senate Office Building, 3 West
Annapolis, MD 21401

RE: SB432 – Inheritance Tax – Repeal – UNFAVORABLE

Dear Chairman Guzzone and Members of the Budget and Taxation Committee,

My name is Byron Macfarlane, I am the Register of Wills for Howard County, and on behalf of the Maryland Registers of Wills Association, I write to respectfully urge an **unfavorable** report for Senate Bill 432.

The inheritance tax is collected by the Registers of Wills in each jurisdiction in Maryland. We are, collectively, 24 self-funding state agencies because of the revenue we generate from this tax. What we collect above and beyond what we need to operate is then turned over to the General Fund, for the General Assembly to use however it deems fit for the welfare of our citizens. In Fiscal Year 2022, the tax revenue we contributed to the General Fund came out to \$89.2 million. That revenue would disappear if the inheritance tax were repealed. Compounding that loss of revenue, the state would then need to find over \$22.4 million to fund the Registers of Wills.

To put it succinctly, this legislation would defund a critically important arm of our state's judiciary – the Registers of Wills – which provide essential services to the people of Maryland. With nearly 300 employees statewide, from Oakland to Baltimore to Snow Hill, these offices aren't just essential, we've become known for our professionalism, efficiency, and compassion. Simply put: Public service at its best. Passage of this legislation would jeopardize a vital component of our government that works extremely well, with no plan for how to provide for our continued operations.

The fiscal impact of the repeal of the inheritance tax is clearly severe. Proponents of this measure should need to provide compelling evidence that the benefits outweigh the costs. However, the truth is that close relatives are already exempt from the inheritance tax, very few people pay it, and most of those who do don't live in Maryland.

Most Relatives Exempt

Close relatives are exempt from Maryland's inheritance tax. Spouses, siblings, lineal descendants (children, grandchildren, etc.), lineal ancestors (parents, grandparents, etc.), and stepchildren do not pay inheritance taxes. There is also a limited exemption for domestic partners who own a home together and some assets, like life insurance, as exempt as well. Therefore, those who are subject to the tax are nieces, nephews, cousins, more distant relatives, and those with no blood relationship to the decedent. A detailed analysis of the Registers' FY2022 inheritance tax receipts shows that 43% of taxes were paid by nieces and nephews, 23% by cousins or more distant relatives, and 34% were paid by friends or individuals otherwise unrelated to the decedent. So, the inheritance tax is predominantly paid by either very distant relatives or individuals who aren't related to the decedent – 57% of all taxes.

All of this is to say that because these heirs aren't closely related – or related at all – to the decedents, they tend to assume that their distant relationship would not entitle them to the same kinds of exemptions or protections or benefits as a spouse or child. Indeed, we very rarely receive complaints about this tax. For most of them, they didn't expect to inherit anything and don't consider a 10% tax unreasonable. They usually consider their inheritance “found money.” I can say that in my 12 years in office, I've received just one written objection to this tax, and that individual lived in Iowa. I understand why some may oppose the inheritance tax ideologically, but we should be far more concerned with the perspectives of those who are directly affected by this tax. For those taxable heirs, this is very rarely an issue.

Few Estates Taxable

Few Maryland estates are subject to this tax. In Fiscal Year 2022, just over 10% of estates in Maryland paid any inheritance tax, so conversely nearly 90% of estates were entirely exempt.

Out-of-State Taxpayers

It is also worth noting that while some Marylanders would benefit from this legislation, the repeal of the inheritance tax would primarily benefit people who do not live in our State. As part of our granular analysis of our tax revenue from FY2022, the Registers have determined approximately 51.5% of all inheritance taxes were paid by non-Marylanders, which also includes foreign nationals. This legislation would give a \$54.8 million tax cut to Pennsylvanians, Virginians, Californians, and Canadians, to name just a few. I have to seriously question why anyone would be so enthusiastic to eliminate this source of revenue when so much of the benefit won't even go to our own constituents.

In conclusion, Senate Bill 432 would have a devastating and unjustifiable fiscal impact on the State and would defund 24 essential public agencies that provide compassionate, efficient, and needed services to the people of Maryland. It would provide a substantial giveaway to non-Marylanders and lead to reduced services or higher taxes for Marylanders generally. I will reiterate that while some oppose this tax from an ideological perspective, the real people I deal with every day who have to pay this tax overwhelmingly do not view it as unfair or burdensome. As Register of Wills and as a taxpaying citizen, I strongly oppose this bill and urge this Committee to give it an **unfavorable** report.

Sincerely,

A handwritten signature in blue ink that reads "Byron E. Macfarlane". The signature is written in a cursive style with a long horizontal flourish at the end.

Byron E. Macfarlane
Register of Wills