



POSITION STATEMENT

TESTIMONY PRESENTED TO THE HOUSE WAYS & MEANS COMMITTEE

HOUSE BILL 739 - MARYLAND ESTATE TAX - UNIFIED CREDIT (ALSO SENATE BILL 602)

March 5, 2014

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Support

The Greater Baltimore Committee (GBC) is an independent non-partisan regional business advocacy organization of more than 500 businesses—large, medium and small—educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford and Howard counties as well as Baltimore City. The GBC is a 59-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability. It is an organization that prides itself on advocating for changes in public policies that strengthen the business climate while improving the quality of life.

The Greater Baltimore Committee **supports** House Bill 739 - Maryland Estate Tax - Unified Credit.

House Bill 739 alters the limit on the unified credit used for determining the Maryland estate tax. HB 739 increases the exclusion amount from \$1.0 million to \$1.75 million for 2014; \$2.5 million for 2015; \$3.5 million for 2016; and finally the amount excluded under the federal estate tax beginning on January 1, 2017.

Currently, the decision to de-couple from the federal estate tax exemptions places Maryland at a competitive disadvantage. As individuals plan for their retirement years, the current law is often a deciding factor in the location of where to live or retire. The reasons for this are simple:

- 1) Maryland is 1 of only 16 states in the country that impose a “state-level” estate tax in addition to the one imposed by the federal government.
- 2) While Maryland’s current estate tax does provide a threshold above which the Maryland estate tax applies (\$1.0 million) that amount is significantly lower than the exclusion at the federal estate level where the tax applies only to estates with a value exceeding \$5.34 million.
- 3) Many people feel that the estate tax is inherently an unfair tax as the assets of the estate have previously been subject to taxation during the person’s lifetime. Thus even though Maryland’s law establishes a threshold and a cap on the estate tax, in 34 states across the country that same estate would not be subject to taxation upon the person’s death.

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HB 739 addresses much of the objections to Maryland's state imposed estate tax as it incrementally increases the threshold upon which the estate tax applies and re-couples our state with the federal estate tax exemptions. This is a reasonable approach as it does not significantly impose an immediate burden on the State of Maryland's revenues.

Increasing the exemptions to match the federal estate tax limits would eliminate the existing disincentive of the current law when Maryland residents consider their retirement venues. The passage of this legislation would result in more Maryland residents maintaining their residences in the State of Maryland resulting in increased income and sales taxes and the maintenance of wealth and philanthropic support in the State of Maryland during their lifetimes.

In June of 2013 at the GBC's inaugural Chesapeake Conference of CEOs, regional private sector leaders formed a consensus and created an action-oriented strategic agenda on how to proceed in strengthening the competitiveness of the Baltimore region and the State of Maryland during the next five years. The GBC's top priority, highlighted in the report entitled *A Compact for Competitiveness*, is to reform Maryland's tax structure and spending process. The GBC has created a private sector commission, the Competitive Tax Structure and Spending Accountability Commission, to study ways of improving the state's tax structure. In the early stages of its work, the reduction of estate taxes was one of the areas identified by the Commission for reform. The Commission has reviewed and supports the proposal advanced in House Bill 739.

The Greater Baltimore Committee **requests a favorable report on House Bill 739.**