

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 704

(Senator Mautz)

Budget and Taxation

Ways and Means

Maryland Estate Tax – Qualified Agricultural Property – Transfer to Limited Liability Company

This bill authorizes a qualified recipient, within the meaning of the Maryland estate tax exclusion for qualified agricultural property, to transfer legal ownership of qualified agricultural property to a limited liability company (LLC) without estate tax recapture if (1) the ownership of the LLC consists only of qualified recipients and (2) the qualified agricultural property is used for farming purposes for at least 10 years after the decedent's death. **The bill takes effect July 1, 2027.**

Fiscal Summary

State Effect: General fund revenues may decrease beginning as early as FY 2028 to the extent the bill results in increased utilization of Maryland estate tax benefits for qualified agricultural property. It is assumed that the Comptroller's Office can implement the bill's provisions with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law:

Maryland Estate Tax

The estate tax is imposed on the transfer of the Maryland estate of a decedent who, at the time of death, was (1) a resident of the State or (2) a nonresident whose estate includes any interest in tangible real property located in the State or tangible personal property with a taxable *situs* in the State. The Maryland estate tax is based on the federal credit for death taxes paid as in effect on December 31, 2001, before the phase-out and repeal of the credit under the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Because the federal credit is calculated based on a marginal rate schedule, no tax rates are specified in Maryland statute. A top marginal rate of 16% is applied to the portion of the adjusted taxable estate in excess of \$10,040,000. Estates are allowed a credit against the Maryland estate tax for Maryland inheritance tax paid.

The unified credit allowed against the federal estate tax effectively excludes a portion of the taxable estate from taxation (applicable exclusion amount). Maryland decoupled from increases in the value of the federal unified credit allowed against the federal estate tax for decedents dying after 2003. For decedents dying after 2018, the unified credit for Maryland estate tax purposes is \$1,945,800 – the amount which effectively excludes the first \$5.0 million of the taxable estate from tax.

The federal Tax Cuts and Jobs Act of 2017 doubled the federal basic exclusion amounts for 2018 through 2025 only. For 2025, the federal basic exclusion amount is \$13.99 million. The One Big Beautiful Bill Act of 2025 permanently increased the federal basic exclusion amount to \$15.0 million for 2026 and inflation-adjusted amounts annually thereafter.

Qualified Agricultural Property

Maryland excludes from estate tax up to \$5.0 million of the value of qualified agricultural property (real or personal property that is used primarily for farming purposes within the meaning of Internal Revenue Code § 2032A (special use valuation for certain farm and closely held business real property)) that passes from the decedent to or for the use of a qualified recipient who enters into an agreement to use the qualified agricultural property for farming purposes after the decedent's death. The estate tax imposed on the value of any such property in excess of \$5.0 million is limited to 5%. Maryland estate tax must be recaptured if the qualified agricultural property ceases to be used for farming purposes within 10 years after the decedent's death; the amount of estate tax imposed in such

circumstances is the additional tax that would have otherwise been payable at the time of the decedent's death.

State Revenues: General fund revenues may decrease beginning as early as fiscal 2028 to the extent the bill increases utilization of the exclusion for and limitation on the estate tax imposed on qualified agricultural property. Any such effect cannot be reliably predicted at this time.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Register of Wills; Maryland Department of Agriculture; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2026
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