

SENATE BILL 704

Q7

6lr3152

By: **Senator Mautz**

Introduced and read first time: February 6, 2026

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 3, 2026

CHAPTER _____

1 AN ACT concerning

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

4 FOR the purpose of authorizing, for purposes of determining the Maryland estate tax, a
5 qualified recipient to transfer qualified agricultural property to a limited liability
6 company; providing that qualified agricultural property transferred in accordance
7 with this Act is not subject to estate tax recapture under certain circumstances; and
8 generally relating to the Maryland estate tax.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – General
11 Section 7–309(c)
12 Annotated Code of Maryland
13 (2022 Replacement Volume and 2025 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
15 That the Laws of Maryland read as follows:

16 **Article – Tax – General**

17 7–309.

18 (c) (1) (i) In this subsection the following words have the meanings
19 indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (ii) "Farming purposes" has the meaning stated in § 2032A(e)(5) of
2 the Internal Revenue Code.

3 (iii) "Qualified agricultural property" means real or personal
4 property that is used primarily for farming purposes.

5 (iv) "Qualified recipient" means an individual who enters into an
6 agreement to use qualified agricultural property for farming purposes after the decedent's
7 death.

8 (2) The Maryland estate tax shall be determined by excluding from the
9 value of the gross estate up to \$5,000,000 of the value of qualified agricultural property
10 that passes from the decedent to or for the use of a qualified recipient.

11 (3) If the value of qualified agricultural property that passes from the
12 decedent to or for the use of a qualified recipient exceeds \$5,000,000, the Maryland estate
13 tax imposed on the Maryland estate of the decedent may not exceed the sum of:

14 (i) 16% of the amount by which the decedent's taxable estate,
15 excluding the value of all qualified agricultural property that passes from the decedent to
16 or for the use of a qualified recipient, exceeds the applicable exclusion amount specified
17 under subsection (b) of this section; and

18 (ii) 5% of the amount by which the value of qualified agricultural
19 property that passes from the decedent to or for the use of a qualified recipient exceeds
20 \$5,000,000.

21 (4) (i) The Maryland estate tax shall be recaptured as provided in this
22 paragraph if, within 10 years after the decedent's death, the qualified agricultural property
23 ceases to be used for farming purposes.

24 (ii) The amount of the estate tax imposed under this paragraph shall
25 be the additional Maryland estate tax that would have been payable at the time of the
26 decedent's death but for the provisions under paragraphs (2) and (3) of this subsection.

27 (5) (I) A QUALIFIED RECIPIENT MAY TRANSFER LEGAL
28 OWNERSHIP OF QUALIFIED AGRICULTURAL PROPERTY TO A LIMITED LIABILITY
29 COMPANY.

30 (II) A TRANSFER OF QUALIFIED AGRICULTURAL PROPERTY IN
31 ACCORDANCE WITH SUBPARAGRAPH (I) OF THIS PARAGRAPH IS NOT SUBJECT TO
32 RECAPTURE UNDER PARAGRAPH (4) OF THIS SUBSECTION IF:

33 1. THE OWNERSHIP OF THE LIMITED LIABILITY
34 COMPANY CONSISTS ONLY OF QUALIFIED RECIPIENTS; AND

1 **2. THE QUALIFIED AGRICULTURAL PROPERTY IS USED**
2 **FOR FARMING PURPOSES FOR AT LEAST 10 YEARS AFTER THE DECEDENT'S DEATH.**

3 **(6)** The Comptroller shall adopt regulations to implement this subsection.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~July~~
5 ~~1, 2026, and shall be applicable to decedents dying after June 30, 2026~~ July 1, 2027.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.