

Maryland's 2025 Budget Proposal: Changes to Estate Taxes and What They Mean for Estate Planning

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Recent Maryland proposed budget cause for close estate planning review before the sunset of the federal Tax Cuts and Jobs Act.

This week, Maryland Governor Wes Moore released his proposed 2025 budget to the public and submitted House Bill 352 to the Maryland Assembly for review and approval. The proposed changes in the budget have a significant impact on estate planning, especially as it relates to Maryland's death taxes. Maryland is the sole state in the union that assesses both an estate and inheritance tax against the estates of resident decedents. The governor's budget proposed abolishing Maryland's Collateral Inheritance Tax on probate and non-probate transfers and inter vivos gifts made within two years of the date of death. The proposed budget does not abolish Maryland's Estate Tax, but significantly reduces the exemption amount.

Maryland's current estate tax exemption is \$5,000,000 per individual and \$10,000,000 per married couple. The newly proposed budget would reduce the estate tax exemption by more than half to \$2,000,000 per individual and \$4,000,000 per married couple. Under the terms of the budget, the changes to Maryland's Estate Tax exemption will go into effect in July 2025. Should the proposed budget and changes go into effect, many Marylanders will need to take a renewed look at their estate planning to mitigate the impacts of the changes to the new state estate tax threshold.