

The purpose of this Bill was to remove the double taxation of income received by the estate of a decedent during administration. However, both the sponsor of the Bill, Delegate John A. Whitney, and the Comptroller of the Treasury, have requested that I veto the Bill because of certain technical uncertainties and administrative difficulties in regard to it.

For the reasons given in the copies of the attached letters from the sponsor and the Comptroller, which are to be considered part of this message, I am complying with their requests to veto House Bill 506.

Sincerely,

/s/ Marvin Mandel,

Governor.

Read and journalized.

COMPTROLLER OF THE TREASURY

Annapolis, Md., April 16, 1969.

Hon. Marvin Mandel
Governor of Maryland
State House
Annapolis, Maryland

Re: H.B. 506

Dear Governor Mandel:

We wish to call your attention to the provisions of H.B. 506, which amends Article 81, Section 151 of the Annotated Code of Maryland and provides that income received by an Executor or Administrator, on which Maryland income tax has been paid by him or is payable by the distributee, shall be exempt from the Inheritance Tax.

From a careful reading of the Bill it appears that the intent of this legislation is to avoid double taxation by providing that where income earned during administration is subject to the Income Tax, it shall be exempt from any Inheritance Taxes.

We take no exception to the intent, but it is our feeling that the Bill as it is now worded would result in a chaotic situation insofar as Executors, Administrators, the Registers of Wills, the distributees, and the Comptroller's Office are concerned.

When the Income Tax Law was amended two years ago to provide for the use of the Federal adjusted gross income base, the provisions exempting income received by an Executor or Administrator were eliminated from the Maryland Law. Under certain conditions such income is subject to the Federal income tax, and consequently is subject also to Maryland income tax. This poses no particular problem insofar as the Executor's dealings with the Federal Government are concerned, since he is responsible not merely for paying the Federal income tax but also for filing the Federal Estate Tax Return. Estate Taxes are, of course, levied on the value passing under probate; whereas, the Maryland Inheritance Tax is levied on the amount received by the distributee.

This Bill would place the onus on an Executor or Administrator to determine whether or not the amount of income being distributed would be taxable to each distributee. This information would be most difficult