

## Estate and Inheritance Taxation: An Overview of Taxes in the States

*For 2018 deaths, 33 states impose neither estate nor inheritance taxes*

From 1924 through 2004, the federal estate tax allowed a dollar-for-dollar credit for state death taxes paid (up to maximum limits). All states imposed estate taxes up to the amount of the federal credit; some states also imposed additional inheritance or estate taxes. In 2001 Congress repealed the federal credit for state death taxes (effective for deaths after December 31, 2004). Now that they can no longer impose taxes that do not increase the total tax burden on estates and heirs, most states no longer impose estate or inheritance taxes (33 states for deaths in 2018). For example, Delaware and New Jersey eliminated their estate taxes, effective for 2018 deaths. Minnesota imposes an estate tax.

*Inheritance and estate taxes differ in the base used to compute them; one depends on the size of the estate, the other on to whom bequests are made*

**Estate taxes** apply a single tax rate schedule to the taxable value of the decedent's total estate (bequests to charities and surviving spouses are typically exempt).

**Inheritance taxes** apply varying tax rate schedules to bequests made to different classes of beneficiaries. Bequests to surviving spouses and lineal heirs typically enjoy lower rates or are totally exempt, while bequests to more distant or unrelated heirs (collateral heirs) are usually taxed at higher rates or have lower exemptions or both.

*Eleven states and the District of Columbia impose only estate taxes*

For decedents dying in 2018, 11 states (Connecticut, Hawaii, Illinois, Maine, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Washington) and the District of Columbia impose only estate taxes.

Exemption amounts under the state estate taxes vary, ranging from \$1 million (Massachusetts and Oregon) to the old federal estate tax exemption amount of \$5.6 million (before application of the 2018 federal tax act), indexed for inflation (Hawaii and Maine). The federal amount was doubled by the 2018 federal tax act to \$11.2 million (for 2018 deaths); the District of Columbia exemption appears to be linked to that amount. Both the old and new federal amounts are indexed for inflation. States have been steadily increasing their exemption amounts with Maryland's and New York's scheduled to rise to the federal amount in 2019 and Connecticut's to \$6.1 million in 2020. Minnesota's exemption is \$2.4 million for 2018 and will rise to \$3 million in 2020. Top rates range from 12 percent to 20 percent with most states, like Minnesota, imposing a top rate of 16 percent.

*Five states impose only inheritance taxes*

Five states (Iowa, Kentucky, Nebraska, New Jersey, and Pennsylvania) impose only inheritance taxes. Exemptions under state inheritance taxes vary greatly, ranging from \$500 (Kentucky and New Jersey) for bequests to unrelated

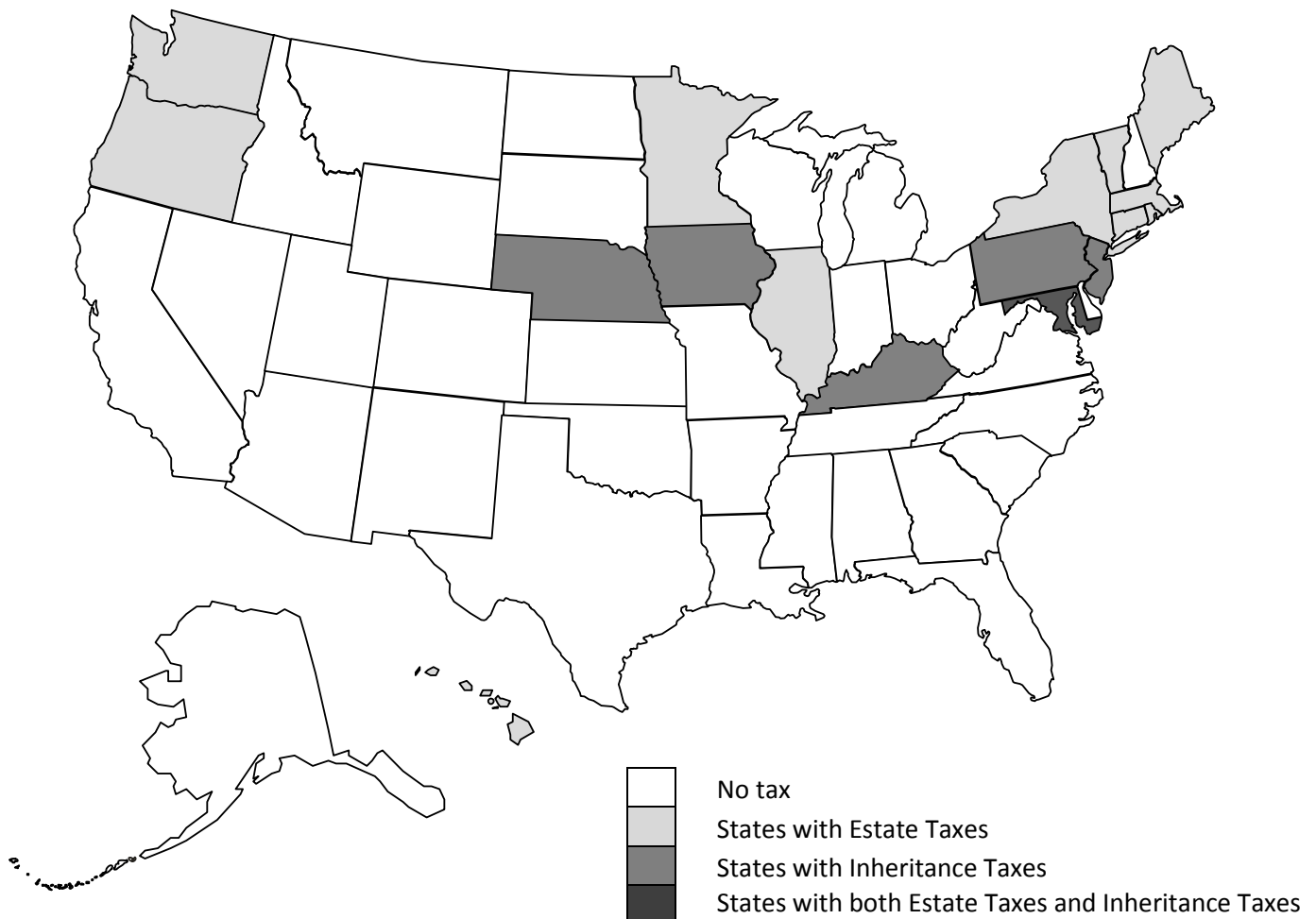
individuals to unlimited exemptions (Iowa and Kentucky) for bequests to lineal heirs, such as children or parents of the decedent. No states tax bequests to surviving spouses; only two states (Nebraska and Pennsylvania) tax bequests to lineal heirs. Top tax rates range from 4.5 percent (Pennsylvania on lineal heirs) to 18 percent (Nebraska on collateral heirs).

***One state imposes both taxes***

Maryland imposes both types of taxes, but the estate tax is a credit against the inheritance tax, so the total tax liability is not the sum of the two, but the greater of the two taxes. Its inheritance tax does not apply to bequests to lineal heirs.

The map shows the states with estates and inheritance taxes for deaths in 2018.

### State Estate and Inheritance Taxes



House Research Department

**For more information:** See the information brief *Survey of State Estate, Inheritance, and Gift Taxes*, December 2015.

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.