

## State Estate and Inheritance Taxes After the 2001 Federal Estate Tax Changes

*The 2001 federal tax act or EGTRRA eliminated the ability of states to impose pure “pickup” estate taxes that are borne by the federal treasury*

From 1924 through 2001, 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, 38 states, including Minnesota, imposed pickup estate taxes as their only form of a death tax.

[The Economic Growth and Tax Relief and Reconciliation Act of 2001](#) (EGTRRA) repealed the federal credit for state death taxes (effective for decedents dying after December 31, 2004). States now can no longer impose estate taxes that do not increase the total tax burden on estates and heirs. EGTRRA also increased the exemption amounts and reduced tax rates under the federal estate tax.

Minnesota opted to continue imposing an estate tax equal to the credit under pre-EGTRRA federal law. This short subject summarizes the status of state inheritance and estate taxes in other states as of October 2008.

*Twenty-eight states no longer impose estate or inheritance taxes*

For decedents dying in calendar year 2008, 28 states no longer impose an estate or inheritance tax. Most of these states imposed only a pickup tax before EGTRRA and allowed their taxes to expire (AL, AK, CA, CO, DE, FL, GA, HA, ID, MI, MS, MO, MT, NV, ND, NM, TX, UT, WV, and WY) and/or acted to eliminate them (AR, AZ, SC, SD, VA, and WI). Two states with inheritance taxes (beyond a pickup tax) either repealed the tax (NH) or allowed it to expire as previous scheduled (LA), as well as allowing their pickup taxes to expire.

*Taxes in four more states are set to expire after 2008*

Two states have enacted legislation that repeals their taxes as of January 1, 2010 (KS and OK). Taxes in two states (IL and VT) will expire if the federal estate tax is repealed, as scheduled in 2010, and the state does not change its law. At the November 2006 general election, voters rejected a referendum to repeal the Washington estate tax. In 2008, North Carolina repealed its gift tax.

*Six states impose only inheritance taxes*

Six states (IN, IA, KY, NE, PA, and TN) now impose only inheritance taxes; these states allowed their pickup estate taxes to expire with EGTRRA’s repeal of the federal credit. Nebraska repealed its estate tax, but retained its county inheritance tax. Two of these states (IA and KY) impose no tax on bequests to surviving spouses or lineal heirs (children, grandchildren, parents, and so forth).

***Fourteen states and the District of Columbia impose only estate taxes in 2008***

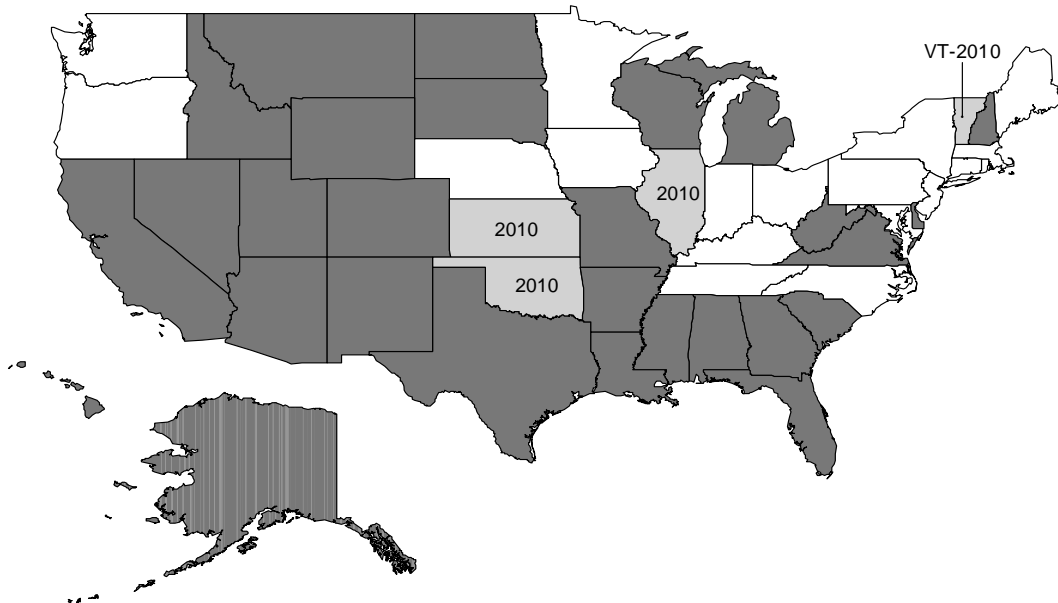
Fourteen states impose only an estate tax. Ten of these taxes are calculated based on the repealed federal credit under some version of the federal law (DC, IL, MA, ME, MN, NY, NC, OR, RI, and VT). The exemption amounts range from \$675,000 (based on the federal tax and credit in effect in 2001: RI and WI) to \$2 million (current federal exemption: IL, NC, VT, and VA). The other states, like Minnesota, have a \$1-million exemption (based on the pre-EGTRRA credit amount). Five states have separate estate taxes with their own exemption amounts and tax rate schedules (CT, KS, OH, OK, and WA). Exemptions under these stand-alone taxes range from \$338,333 (OH) to \$2 million (CT, OK, and WA). As noted above, the Kansas and Oklahoma taxes have been prospectively repealed.

***Two states impose both estate and inheritance taxes***

Maryland and New Jersey have both estate and inheritance taxes with unlimited exemptions for lineal heirs (children, grandchildren, parents, and so forth). New Jersey’s estate tax exemption is \$675,000, and Maryland’s is \$1 million. Inheritance tax paid is a credit against the estate taxes.

The map shows the states without an estate or inheritance tax.

**States Without Estate or Inheritance Taxes**  
(2009 unless otherwise noted)



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