



# OLR RESEARCH REPORT

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## STATE ESTATE AND INHERITANCE TAXES

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You asked which states have state estate and inheritance taxes, as well as their current exemption thresholds and rates. This report updates the information in OLR Report [2009-R-0305](#).

### SUMMARY

Estate and inheritance taxes are imposed on the taxable value of property a person bequeaths to his or her heirs. An estate tax applies to the total value (after deductions and exemptions) of a person's real and personal property ("estate") at his or her death, while an inheritance tax is a tax on each heir's right to receive the property transferred.

As of the date of this report, 16 states have only estate taxes, five have only inheritance taxes, and two have both. Estate taxes in three states are currently scheduled to expire, Ohio's on January 1, 2013; Delaware's on July 1, 2013; and Tennessee's on January 1, 2016. Starting July 1, 2013, Indiana will begin a nine-year phase out of its inheritance tax, which, under current law, will be eliminated as of January 1, 2022.

### STATES WITH ESTATE TAXES

Table 1 lists the 18 states that currently impose state estate taxes, along with each state's 2012 exemption threshold for taxable estates and minimum and maximum tax rates. Since Tennessee's "inheritance tax" functions like an estate tax, we include it in Table 1.

**Table 1: State Estate Taxes as of July 6, 2012**

<b>State</b>	<b>2012 Exemption</b>	<b>2012 Rates</b>	<b>Additional Information</b>
<b>Connecticut</b>	\$2,000,000	7.2%-12%	PA 11-6 reduced the exemption from \$3.5 million to \$2 million for deaths on or after January 1, 2011.
<b>Delaware</b>	5,120,000	0.8%-16%	The tax applies to deaths on or after July 1, 2009 and before July 1, 2013.
<b>District of Columbia</b>	1,000,000	0.8%-16%	
<b>Hawaii</b>	5,120,000	0.8%-16%	Effective for deaths on or after May 1, 2010. The exemption applies to deaths after January 25, 2012.
<b>Illinois</b>	3,500,000	0.8%-16%	Tax expired for 2010 but was reinstated for deaths on or after January 1, 2011. Exemption is scheduled to increase to \$4 million for 2013.
<b>Maine</b>	1,000,000	0.8%-16%	The exemption is scheduled to increase to \$2 million for deaths on or after January 1, 2013. Tax rates starting that date will be 8%-12%.
<b>Maryland</b>	1,000,000	0.8%-16%	State also has an inheritance tax (see Table 2).
<b>Massachusetts</b>	1,000,000	0.8%-16%	
<b>Minnesota</b>	1,000,000	0.8%-16%	
<b>New Jersey</b>	675,000	0.8%-16%	State also has an inheritance tax (see Table 2).
<b>New York</b>	1,000,000	0.8%-16%	
<b>North Carolina</b>	5,120,000	0.8%-16%	Tax did not apply to deaths during 2010 but resumed for deaths on or after January 1, 2011.
<b>Ohio</b>	338,333	6%-7%	No tax for deaths on or after January 1, 2013.
<b>Oregon</b>	1,000,000	0.8%-16%	
<b>Rhode Island</b>	892,865	0.8%-16%	For deaths on or after January 1, 2011, the exemption is indexed for inflation.
<b>Tennessee</b>	1,000,000	5.5%-9.5%	Legislation passed on May 2, 2012 phases out the tax over three years from 2013 through 2015. No tax is due for deaths on or after January 1, 2016. The exemption is scheduled to increase to \$1.25 million in 2013; \$2 million in 2014; and \$5 million in 2015.
<b>Vermont</b>	2,750,000	0.8%-16%	
<b>Washington</b>	2,000,000	0.8%-16%	

**STATES WITH INHERITANCE TAXES**

Table 2 lists the seven states that have inheritance taxes. Such taxes apply to the taxable value of the amount each heir receives rather than to the value of estate as a whole. Heirs, rather than the estate itself, are liable for the tax payment. Inheritance taxes divide heirs into categories or “classes” based on their relationships to the deceased, with the closest relatives (spouses and lineal relatives, such as children and grandchildren) typically considered Class A; collateral relatives (siblings,

nieces, and nephews), Class B; and more remote relatives and nonrelatives, Class C.

**Table 2: State Inheritance Taxes as of July 6, 2012**

<b>State</b>	<b>Class of Heir</b>	<b>2012 Exemption</b>	<b>2012 Rates</b>	<b>Additional Information</b>
<b>Indiana</b>	Spouse /Charity	100%	0	Legislation signed on 3/20/12 phases out the tax over nine years beginning January 1, 2013. No tax is due for deaths on or after January 1, 2022. The recent legislation also increased the exemption for Class A heirs from \$100,000 to \$250,000 retroactive to January 1, 2012.
	Class A	\$250,000	1%-10%	
	Class B	\$500	7%-15%	
	Class C	\$100	10%-20%	
<b>Iowa</b>	Class A	100%	0	
	Class B	0	5%-10%	
	Class C	0	10%-15%	
<b>Kentucky</b>	Class A	100%	0	
	Class B	\$1,000	4%-16%	
	Class C	\$500	6%-16%	
<b>Maryland</b>	Lineal	100%	0	Maryland also has an estate tax (see Table 1)
	Others	0	10%	
<b>Nebraska</b>	Immediate Relative	\$40,000	1%	Tax is levied at county level
	Remote Relative	\$15,000	13%	
	Others	\$10,000	18%	
<b>New Jersey</b>	Class A	100%	0	New Jersey also has an estate tax (see Table 1)
	Class C	\$25,000	11%-16%	
	Class D	\$500	15%-16%	
<b>Pennsylvania</b>	Lineal Heirs	\$3,500	4.5%	
	Siblings	0	12%	
	Others	0	15%	

**SOURCES**

1. McGuire Woods LLP, [State Death Tax Chart](#), Revised May 7, 2012.
2. Tax Foundation, [Estate Tax Rates and Exemptions as of January 1, 2012](#), February 16, 2012.
3. Tax Foundation, [Inheritance Tax Rates and Exemptions as of January 1, 2012](#), February 16, 2012.
4. Joel Michael, [“Survey of State Estate, Inheritance and Gift Taxes,”](#) Research Department, Minnesota House of Representatives, Updated: November 2011.

5. State tax department websites, Estate and Inheritance tax forms and instructions.

JL:eh