

Estate, Inheritance, and Gift Taxes in CT and Other States

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December 31, 2024 | 2024-R-0197

Issue

What is the difference between estate, inheritance, and gift (EIG) taxes? What is Connecticut's gift and estate tax and how does it compare to those in other states?

This report updates OLR Report [2020-R-0180](#).

Summary

EIG taxes are taxes levied on the transfer of property (i.e., cash, securities, real estate, business interests, and other assets). Estate and inheritance taxes are imposed on transfers that occur upon the owner's death, while gift taxes are imposed on transfers that occur during the owner's lifetime.

Connecticut imposes a flat, 12% tax on estates valued at more than \$13.61 million (i.e., the federal estate tax threshold for 2024). The federal threshold is set to increase to [\\$13.99 million](#) for 2025 and then revert to \$5 million (adjusted for inflation) starting in 2026. The same threshold applies to Connecticut's gift tax, which is unified with the estate tax. This means that gifts a decedent made during his or her lifetime are treated as part of the estate and taxed at the same rate. Connecticut only taxes the amount over the federal threshold and caps the maximum amount of estate or gift tax a donor or decedent must pay at \$15 million.

A total of 12 states and the District of Columbia impose estate taxes, while six states impose inheritance taxes (Maryland imposes both). Connecticut is the only state that imposes a stand-

alone gift tax. Connecticut's \$13.61 million estate and gift tax threshold is the highest across these jurisdictions and its 12% rate ties with Maine as the lowest.

What are EIG Taxes?

EIG taxes are imposed on transfers of property, either upon the property owner's death or during his or her lifetime. Table 1 lists the states that impose these taxes.

Estate taxes apply to the taxable value of a decedent's estate at his or her death, after deductions and exemptions. These deductions include property that passes to surviving spouses and qualifying charities. The estate itself is liable for the tax.

Inheritance taxes (also known as succession taxes) apply to the taxable value of property left to heirs. The tax rates and thresholds vary based on the class of heir to whom the property is transferred. Lineal heirs (e.g., children, grandchildren, and parents) are typically taxed at lower rates than distant relatives or unrelated heirs. The heirs themselves are liable for the tax, but the estate pays it.

Gift taxes apply to property transferred during a property owner's lifetime, thus preventing individuals from avoiding paying estate and inheritance taxes by transferring their assets while alive. The donor is generally responsible for paying the tax.

Connecticut's Gift and Estate Tax

Estate Tax Basis

Connecticut's estate tax applies to both resident and nonresident estates valued at more than the taxable threshold (\$13.61 million for 2024). The tax applies only to the value of the estate above the threshold. A resident estate is an estate of a decedent who was domiciled in Connecticut at the time of death. A nonresident estate is an estate of a decedent who was not domiciled in Connecticut at the time of death but owned real or tangible personal property here.

Table 1: State EIG Taxes

States With Estate Taxes – 12 States and D.C.	
Connecticut	Minnesota
District of Columbia	New York
Hawaii	Oregon
Illinois	Rhode Island
Maine	Vermont
Maryland	Washington
Massachusetts	
States With Inheritance Taxes – 6 States	
Iowa (sunsets January 1, 2025)	Nebraska
Kentucky	New Jersey
Maryland	Pennsylvania
States With Gift Taxes – 1 State	
Connecticut	

Source: Minnesota House of Representatives Research Department. [Survey of State Estate, Inheritance, and Gift Taxes](#). July 2018, and CCH Smart Charts, *Multistate Transfer Tax – In General Smart Chart*

Starting Point. The starting point for calculating the Connecticut estate tax is the decedent's gross estate for federal estate tax purposes, minus federally allowable deductions (other than the state death tax deduction). The decedent's gross estate for federal estate tax purposes generally includes the fair market value at the time of his or her death of all property, wherever it is located. This includes real property (e.g., real estate), tangible personal property (e.g., automobiles, boats, and jewelry), and intangible personal property (e.g., bank accounts, cash, stocks, and pensions). The federally allowable deductions include the marital deduction, for property that passes to the surviving spouse, and the charitable deduction, for property the decedent leaves to a qualifying charity.

Connecticut-Specific Modifications. For Connecticut estate tax purposes, the taxpayer must then add to the estate the (1) total value of all Connecticut taxable gifts the decedent made during his or her lifetime, on or after January 1, 2005, other than gifts already included in the decedent's federal gross estate, and (2) amount of any Connecticut gift tax the decedent or his or her estate paid during the three years preceding the decedent's death for gifts the decedent or his or her spouse made ([CGS § 12-391](#); Department of Revenue Services (DRS), [Estate and Gift Tax Information](#)).

Property of a decedent's estate that is treated, for federal estate tax purposes, as qualified terminable interest property (QTIP) is automatically treated as QTIP for Connecticut estate tax purposes. (QTIP trusts are an estate tax planning tool for married couples used to defer estate taxes until the last spouse dies. They allow property in a decedent's estate to qualify for the marital deduction even though it is subject to certain restrictions.) If an estate did not file a federal estate tax return, or if it filed a federal estate tax return and did not make a QTIP election for federal estate tax purposes, it is eligible to make a Connecticut QTIP election for Connecticut estate tax purposes ([CGS § 12-391\(f\)](#)).

Gift Tax Basis

The gift tax applies only to Connecticut taxable gifts, which are federal taxable gifts made by a Connecticut resident or nonresident on or after January 1, 2005. Under the federal gift tax, the tax only applies to gifts that exceed the annual, per-recipient federal exclusion amount (\$18,000 for 2024, indexed for inflation) (IRS, [Frequently Asked Questions on Gift Taxes](#)).

For Connecticut residents, taxable gifts include real property or tangible personal property located in Connecticut, as well as intangible personal property located anywhere. For nonresidents, taxable gifts include only real property or tangible personal property located in Connecticut ([CGS § 12-643](#)). Taxpayers must file a Connecticut gift tax return to report all Connecticut taxable gifts made in a

calendar year, even though Connecticut gift tax may not be due (DRS, [Estate and Gift Tax Information](#)).

The gift tax is unified with the estate tax, meaning that gifts a decedent made during his or her lifetime are treated as part of the estate.

Rates

Since January 1, 2023, a flat tax rate of 12% has applied to the value of the taxable estate and gifts that exceeds the federal threshold. For 2024, the federal threshold is \$13.61 million. The 2017 Tax Cuts and Jobs Act (TCJA) doubled the federal threshold (from \$5 million to \$10 million, before being adjusted for inflation) for decedents dying from January 1, 2018, to December 31, 2025. By law, the federal threshold is scheduled to revert to pre-TCJA levels beginning in 2026.

In prior years, Connecticut’s estate and gift tax rates were marginal rates based on the value of the taxable estate or gift. Table 2 below shows the gift and estate tax rates that applied from 2020 to 2022 based on the value of the taxable estate or gift. In 2020, there were six brackets (ranging from 10% to 12%) that applied to taxable estates and gifts valued at more than \$5.1 million. The number of brackets decreased to four (ranging from 10.8% to 12%) for 2021 and two (11.6% and 12%) for 2022, while the taxable threshold for those years increased to \$7.1 million and \$9.1 million, respectively.

Table 2: Gift and Estate Tax Rates, 2020 to 2022

Value of Taxable Estate or Gift	Marginal Tax Rates		
	2020	2021	2022
Up to \$5,100,000	None	None	None
\$5,100,001 to \$6,100,000	10.0%		
\$6,100,001 to \$7,100,000	10.4%		
\$7,100,001 to \$8,100,000	10.8%	10.8%	
\$8,100,001 to \$9,100,000	11.2%	11.2%	
\$9,100,001 to \$10,100,000	11.6%	11.6%	11.6%
\$10,100,001 and greater	12%	12%	12%

Source: [CGS §§ 12-391\(g\)\(3\) & 12-642\(a\)\(5\)](#)

Tax Calculation for Nonresident Estates

For nonresident estates, the tax is calculated and then multiplied by a fraction based on the amount of the decedent’s gross estate for Connecticut estate tax purposes that is attributable to real property and tangible personal property located in Connecticut.

Maximum Tax

The law imposes a \$15 million cap on the maximum amount of estate or gift tax (or combined taxes) a donor or decedent must pay for gifts made on or after January 1, 2019, and estates of decedents dying on or after that date. A \$20 million cap applies to gifts and deaths from January 1, 2016, through December 31, 2018 ([CGS §§ 12-391\(d\)\(1\), 12-391\(e\)\(1\) & 12-642\(c\)](#)).

Revenue

In FY 23, Connecticut collected \$218.4 million in gift and estate tax revenue, down from \$220.1 million in FY 22 and \$303.3 million in FY 21 (Office of Fiscal Analysis and DRS [FY 23 Annual Report](#)).

Gift and Estate Taxes in Other States

A total of 12 states and the District of Columbia impose an estate tax, but only Connecticut imposes a gift tax. Table 3 below shows, for each of these jurisdictions, the estate tax exemption amounts (i.e., taxable estate thresholds) and top statutory rates for 2024. As it shows, the exemptions range from \$1 million in Oregon to \$13.61 million in Connecticut. The top rates range from 12% in Connecticut and Maine to 20% in Hawaii and Washington.

Table 3: State Estate Tax Exemptions and Top Rates in 2024

State	Taxable Estate Threshold	Top Rate
Connecticut CGS § 12-391	\$13.61 million (same as federal)	12%
District of Columbia D.C. Code Ann. §§ 47-3701(14)(D) & 47-3702(a-1)(1); D-76 Estate Tax Instructions for Estates of Individuals	\$4.72 million (indexed to inflation)	16%
Hawaii Haw. Rev. Stat. Ann. §§ 236E-6 & 236E-8; Hawaii Estate Tax Return	\$5.49 million	20%
Illinois 35 Ill. Comp. Stat. Ann. 405/2 & 405/3; Illinois Attorney General, Estate Taxes	\$4 million	16%
Maine Me. Rev. Stat. tit. 36, §§ 4102 & 4103; Maine Revenue Services, Estate Tax	\$6.8 million (indexed to inflation)	12%
Maryland Md. Code Ann., Tax-Gen. § 7-309	\$5 million	16%
Massachusetts Mass. Gen. Laws Ann. ch. 65C, § 2A	\$2 million	16%

Table 3 (continued)

State	Taxable Estate Threshold	Top Rate
Minnesota Minn. Stat. Ann. §§ 291.03 & 291.016	\$3 million	16%
New York N.Y. Tax Law § 952 ; NY Department of Taxation and Finance, Estate Tax	Same as pre-TCJA federal threshold, adjusted for inflation (\$6.94 million)	16%
Oregon Or. Rev. Stat. Ann. § 118.010	\$1 million	16%
Rhode Island 44 R.I. Gen. Laws Ann. § 44-22-1.1 ; Rhode Island Dept. of Revenue, 2024 Tax Changes	\$1.77 million (indexed to inflation)	16%
Vermont Vt. Stat. Ann. tit. 32, § 7442a	\$5 million	16%
Washington Wash. Rev. Code Ann. §§ 83.100.020 & 83.100.040 ; Estate Tax Tables	\$2.193 million (indexed to inflation)	20%

Source: State statutes, estate tax forms and instructions, and tax department websites

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