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

For deaths in 2015, 31 states impose neither estate nor inheritance taxes

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 In 2001 Congress repealed the federal credit for state death taxes (effective for deaths after December 31, 2004).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 (31 states for deaths in 2015). Minnesota continues to impose an estate tax.

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

Estate taxes generally 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.

Twelve states and the District of Columbia impose only estate taxes

For decedents dying in calendar year 2015, 12 states (Connecticut, Delaware, Hawaii, Illinois, Maine, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Washington) and the District of Columbia impose only estate taxes. Delaware and Hawaii allowed their taxes to expire after Congress repealed the credit for state death taxes, but reenacted the taxes in 2010.

Exemption amounts under the state estate taxes vary, ranging from the federal estate tax exemption amount of $5.43 million, indexed for inflation (two states) to $675,000 (New Jersey). In 2014, four states increased their exemption amounts: Minnesota (phased up to $2 million for 2018 deaths), Rhode Island ($1.5 million for 2015 deaths), and Maryland and New York (both phased their exemptions up to the federal amount for 2019 deaths). In 2015, Maine increased its exemption from $2 million to the federal amount, effective for 2016 deaths. 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, Pennsylvania, and Tennessee) impose only inheritance taxes. The Tennessee tax is scheduled to be eliminated for deaths after December 31, 2015.

The 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. Top tax rates range from 4.5 percent (Pennsylvania on lineal heirs) to 18 percent (Nebraska on collateral heirs). Tennessee’s inheritance tax is calculated more like an estate tax (i.e., the tax does not vary based on the beneficiary).

Two states impose both taxes

Maryland and New Jersey impose 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. Neither tax applies to bequests to lineal heirs.

The map shows the states with estates and inheritance taxes for deaths in 2015.

State Estate and Inheritance Taxes

For more information: See the information brief *Survey of State Estate, Inheritance, and Gift Taxes*, September 2014.