



Product Profile

STATE ESTATE AND INHERITANCE TAXES

Understanding the basics of estate planning

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Overview of state estate and inheritance taxes

In 2023, if a person who dies leaves an estate that exceeds \$12.92 million, the executor must file a federal estate tax return within 9 months and pay a 40% tax rate on any assets over that threshold.*

* Estate tax rates, deductions, and exemptions vary widely from state to state.



State estate taxes

At last count, 12 states plus the District of Columbia collect estate tax for deaths occurring in 2023. These states are CT, HI, IL, ME, MD, MA, MN, NY, OR, RI, VT and WA, plus the District of Columbia. State estate tax rates, deductions, and exemptions vary from state to state.



State inheritance taxes

Six states (IA, KY, NE, PA, MD, and NJ) have an inheritance tax. MD is the only state that collects both an inheritance tax and state estate taxes. Inheritance tax rates, deductions, and exemptions vary widely from state to state. There is no federal inheritance tax.



Lack of uniformity

The lack of uniformity among the states on death taxes adds complexity and uncertainty. For instance, the exemption varies widely, from \$1,000,000 in MA and OR, to \$11,400,000 in HI and the District of Columbia. Other variables may impact state tax calculations, including tax brackets (ranging up to 20%), the definition of taxable and tax-exempt property, the deduction allowed for any federal estate taxes paid, and whether a separate state QTIP election is permitted on the state's estate tax return.



Need for state-specific tax expertise

Individuals may discover that it will be increasingly commonplace for estates and/or heirs to owe state estate or inheritance death taxes even without owing federal estate taxes. For decedents who own properties located in two or more states, the tax computations can be quite onerous. Conventional planning techniques (e.g., "two trust" plans or "A-B trust" plans) may not work as effectively as in the past, given the variety of state death tax laws.

The following chart contains summary information about each state's estate and inheritance tax rules, based on our understanding of these laws, as of August 14, 2019. State taxation is clearly an area of rapid change — due in part to the budget pressures felt by the states.

State estate and inheritance tax chart

State	Estate tax	Exemption amount	Tax rates	Inheritance tax	Additional comments
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Indiana, Kansas, Louisiana, Michigan, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming	No	N/A	N/A	No	
Connecticut	Yes	\$ 3,600,000	7.2%-12.0%	No	CT has a top estate tax rate of 12% for 2023. It is the only state with a gift tax on assets you give away while alive. The state's tax law requires that you file Connecticut gift tax returns every year to identify such gifts; however, taxes (at rates ranging from 7.2% to 12%) are due only when the aggregate value of gifts made to any individual since 2005 exceeds \$2 million.
District of Columbia	Yes	\$5,600,000	8.0%-16.0%	No	
Hawaii	Yes	\$ 5,490,000	10.0%-16.0%	No	HI has a top estate tax rate of 16.0% and has an exemption amount of \$5,490,000.
Illinois	Yes	\$ 4,000,000	8.0%-16.0%	No	IL has a top estate tax rate of 16.0% for 2019.
Iowa	No	N/A	5%-15%	Yes	The top inheritance tax rate is 15.0% in Iowa for 2023. No tax is due on property left to a surviving spouse, stepchildren, lineal descendants (children, grandchildren, etc.) or lineal ascendants (parents, grandparents, etc.), and no tax is due if the estate's net value is less than \$25,000.

The information on this chart is subject to change at any time, as state legislatures and revenue authorities take actions in this area of taxation.

State	Estate tax	Exemption amount	Tax rates	Inheritance tax	Additional comments
Kentucky	No	N/A	4.0%-16% Inheritance Tax Only	Yes	KY has a top inheritance tax rate of 16.0% and an exemption threshold for Class A beneficiaries. Class A beneficiaries include the deceased person's surviving spouse, parents, children (by blood or adopted), grandchildren (by blood or adopted), step-children and step-grandchildren (by blood or adopted), brothers and sisters (whole or half). Other beneficiaries (Class B) such as daughter-in-laws or son-in-laws, aunts, uncles, and great-grandchildren are subject to inheritance tax rates ranging from 4.0%-16.0%.
Maine	Yes	\$ 5,712,000	8.0%-12.0%	No	Top estate tax rate is 12.0% for 2019. The exemption will be adjusted in the future for inflation.
Maryland	Yes	\$ 5,000,000 N/A	16% Estate Tax 10% Inheritance	Yes	The estate tax rate is 16.0% with exemption threshold of \$5,000,000. The inheritance tax rate is 10.0% with no exemption threshold.
Massachusetts	Yes	\$ 1,000,000	8.0%-16.0%	No	Top estate tax rate is 16.0% with an exemption threshold of \$1,000,000. Unlimited marital deduction for property left to a surviving spouse and an unlimited charitable deduction for property left to a qualified charity.
Minnesota	Yes	\$ 2,700,000	7.0%-16.0%	No	MN has a top estate tax rate of 16.0% with a current exemption threshold of \$2,700,000, scheduled to increase to \$3,000,000 in 2020. Taxable gifts made within three years prior to death are considered part of the estate.
Nebraska	No	\$ 10,000	1.0%-18.0%	Yes	NE has a top inheritance tax rate of 18.0% with an exemption threshold of \$10,000. Assets passing to a spouse or charity are exempt from inheritance taxes.



State	Estate tax	Exemption amount	Tax rates	Inheritance tax	Additional comments
New Jersey	No	\$ 500 to \$ 25,000	11.0%-16.0% Inheritance Tax Only	Yes	NJ has a top inheritance tax rate of 16.0% on the transfer from a descendant to certain beneficiaries of real and personal property that has a total value of \$500 or more. No tax is imposed on transfers to parents, grandparents, descendants, children and their descendants, spouses, civil union partners, domestic partners or charities. There is a \$25,000 exemption per Class C beneficiary (siblings, sons-in-law and daughters-in-law).
New York	Yes	\$ 5,749,000	3.06%-16.0%	No	NY top estate tax is 16.0% with exemption threshold of \$5,749,000. However, if the value of the estate is more than 105% of the current exemption, the exemption will not be available and the entire estate will be subject to state estate tax.
Oregon	Yes	\$ 1,000,000	10.0%-16.0%	No	The top estate tax rate is 16.0% with an exemption threshold of \$1,000,000.
Pennsylvania	No	N/A	4.50%-15.0%	Yes	PA has a top inheritance tax rate of 15.0% with no exemption threshold. The tax rate is determined based on the relationship of the heir to the decedent and the decedent's date of death. The tax rate is 4.5% for transfers to direct descendants, 12.0% for transfers to siblings, and 15.0% for transfers to other heirs (except for charitable organizations, exempt institutions and government entities).
Rhode Island	Yes	\$ 1,561,719	9.0%-16.0%	No	Top estate tax rate is 16.0% with an exemption threshold of \$1,561,719.
Vermont	Yes	\$ 2,750,000	16.0%	No	The estate tax rate is 16.0% with an exemption threshold of \$2,750,000.
Washington	Yes	\$ 2,193,000	10.0%-20.0%	No	Maximum top estate tax rate is 20.0% with an exemption threshold of \$2,193,000. Washington offers an additional \$2,500,000 exemption deduction for family-owned businesses valued at less than \$6,000,000.



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