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State Estate Taxes - Relief Is on the Way

[ESTATE PLANNING](#), [SD MEDALLION SERVICES](#), [STATE AND LOCAL TAX](#)
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With enactment of the taxpayer-friendly federal estate tax rules in 2012,¹ a growing number of states are offering estate tax relief.

The estate tax is a tax on transfer of assets from deceased persons to their heirs. Most estates don't owe federal estate tax because the federal estate tax exemption allows a set dollar amount of assets to pass without incurring a tax. The tax applies only on the part of the estate that exceeds the exemption amount. The 2015 federal estate tax exemption amount, indexed for inflation, stands at \$5,430,000, with a top tax rate of 40%.

In addition to federal estate tax, many states impose their own estate or inheritance tax. There are currently 15 states and the District of Columbia that collect a state estate or inheritance tax. However, the taxpayer-friendly reforms of estate taxes have become more frequent with states also in the last few years. States are increasing exemption amounts, indexing exemption amounts for inflation, and reducing the tax or completely eliminating the tax.

Estate Tax Exemptions

Maryland and New York agreed to increase the estate tax exemption in 2014 with a goal to match federal estate exemption level by 2019; Oregon changed its estate tax rules so that the tax will apply only to the value of the estate in excess of the exemption; Tennessee will phase-out its estate tax by 2016; Maine increased its exemption in 2013, and Minnesota is increasing its exemption in yearly increments; Ohio and North Carolina eliminated estate tax effective January 1, 2013; and, Illinois, Hawaii, Rhode Island and Vermont are gradually increasing exemption amounts.

States are clearly reducing the estate tax burden. The potential explanation for tax changes could be the fact that state policymakers are being more aggressive in their efforts to attract retirees. It is not uncommon for lower tax burdens, in addition to lower costs of living, to lure retirees to relocate to another state.

The complexity of the state estate taxation should be regularly reviewed by taxpayers in order to minimize tax implications. Schneider Downs professionals can assist you in addressing your state estate tax issues.

Contact us with questions or if you would like to know more about estate tax relief by state and visit our [SD Medallion Services](#) page to learn more about the services that the SD Medallion can provide to your organization.

¹ The American Taxpayer Relief Act of 2012.

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