

## Changes in State Death Tax Exemptions from 2021 to 2024

**Over the past few years, numerous changes have occurred in state death tax exemptions because of legislation or inflation adjustments**

As in past years, there have been numerous changes in the exemptions allowed from the separate estate taxes that twelve states and the District of Columbia apply in addition to the federal estate tax.

In addition, six states—Iowa, Kentucky, Maryland (which also has an estate tax), Nebraska, New Jersey, and Pennsylvania—have separate inheritance taxes. Those inheritance taxes are beyond the scope of this summary.

**Legislative Activity.** Connecticut, the District of Columbia, Massachusetts, and Vermont each recently saw changes in their state exemptions pursuant to legislation. Vermont increased its exemption from \$4,250,000 in 2020 to \$5,000,000 in 2021. The District of Columbia reduced its exemption from \$5,762,000 in 2020 to \$4,000,000 in 2021, indexed for cost of living beginning in 2022. Pursuant to legislation enacted in 2018, Connecticut increased its state death tax exemption in 2023 to the federal exemption, which is \$13,610,000 for 2024. In October 2023, Massachusetts increased its estate tax exemption from \$1,000,000 to \$2,000,000, effective January 1, 2023 (that is, for decedents dying on or after January 1, 2023).<sup>1</sup> Meanwhile, Iowa passed a phase-out of its inheritance tax on others than ascendants and descendants, reducing the tax rate 20 percent each year beginning in 2021, so that the inheritance tax will be phased out completely as of January 1, 2025.

**Indexing Exemptions for Inflation.** One development to which estate planning professionals need to pay attention is the increases in the exemptions as a result of inflation adjustments

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<sup>1</sup> On October 4, 2023, Governor Maura Healey signed into law Bill H. 4104, titled “An Act to Improve the Commonwealth’s Competitiveness, Affordability, and Equity”, which increased the Massachusetts estate tax exemption to \$2,000,000. Although this bill was signed on October 4, 2023, it was retroactive to January 1, 2023. The statute now provides, “The estates of decedents dying on or after January 1, 2023 shall not be required to pay any tax under subsections (a) and (b) if the value of the federal taxable estate is not more than \$2,000,000.” Mass. Gen. Laws ch. 65C, § 2A(g). The next question that arises is whether Massachusetts will include adjusted taxable gifts for purposes of this calculation of the “federal taxable estate” in § 2A(g). Massachusetts estate tax law does not define “federal taxable estate” (emphasis added). However, elsewhere, Massachusetts estate tax law defines “federal gross estate” (emphasis added) to include taxable gifts. See Mass. Gen. Laws ch. 65C, § 1(d). Guidance from the Massachusetts Department of Revenue suggests that this \$2,000,000 would include the value of adjusted taxable gifts. See Massachusetts Department of Revenue, Massachusetts Estate Tax Guide (updated December 13, 2023), available at <https://www.mass.gov/info-details/massachusetts-estate-tax-guide>.

provided in some, but not all, of the states with separate state estate taxes. This area is increasingly complex. The federal estate death exemption was increased to \$10,000,000 (adjusted for inflation) in 2018 as part of the 2017 Tax Act. The 2024 federal exemption is \$13,610,000. Of the states with a state death tax, only Connecticut has increased its separate state death tax exemption to match the federal exemption.

The District of Columbia, Maine, New York, and Rhode Island each adjusted their state death tax exemption for inflation in 2024. Meanwhile, as noted above, Connecticut's estate tax exemption was adjusted for inflation along with the federal estate tax exemption. In addition, although it appears that Hawaii's exemption is supposed to be adjusted for inflation, Hawaii has failed to do so since 2018.

Finally, the State of Washington has not adjusted its exemption for inflation since 2018. In 2018, the Washington State Department of Revenue sent a notice stating that pursuant to Revised Code of Washington § 83.100, the department must adjust the Washington applicable estate tax exclusion map annually using the Seattle-Tacoma-Bremerton Metropolitan Area October Consumer Price Index (Seattle CPI). As of January 1, 2018, the U.S. Bureau of Labor and Statistics no longer calculated Seattle CPI. Instead, the Bureau of Labor and Statistics is calculating CPI for the Seattle-Tacoma-Bellevue core base statistical area. As a result of these changes, the term Consumer "Price Index" as defined in the statute did not match the current CPI measure calculated by the United States Bureau of Labor Statistics. Consequently, there has been no increase in the exemption in Washington State since 2018.

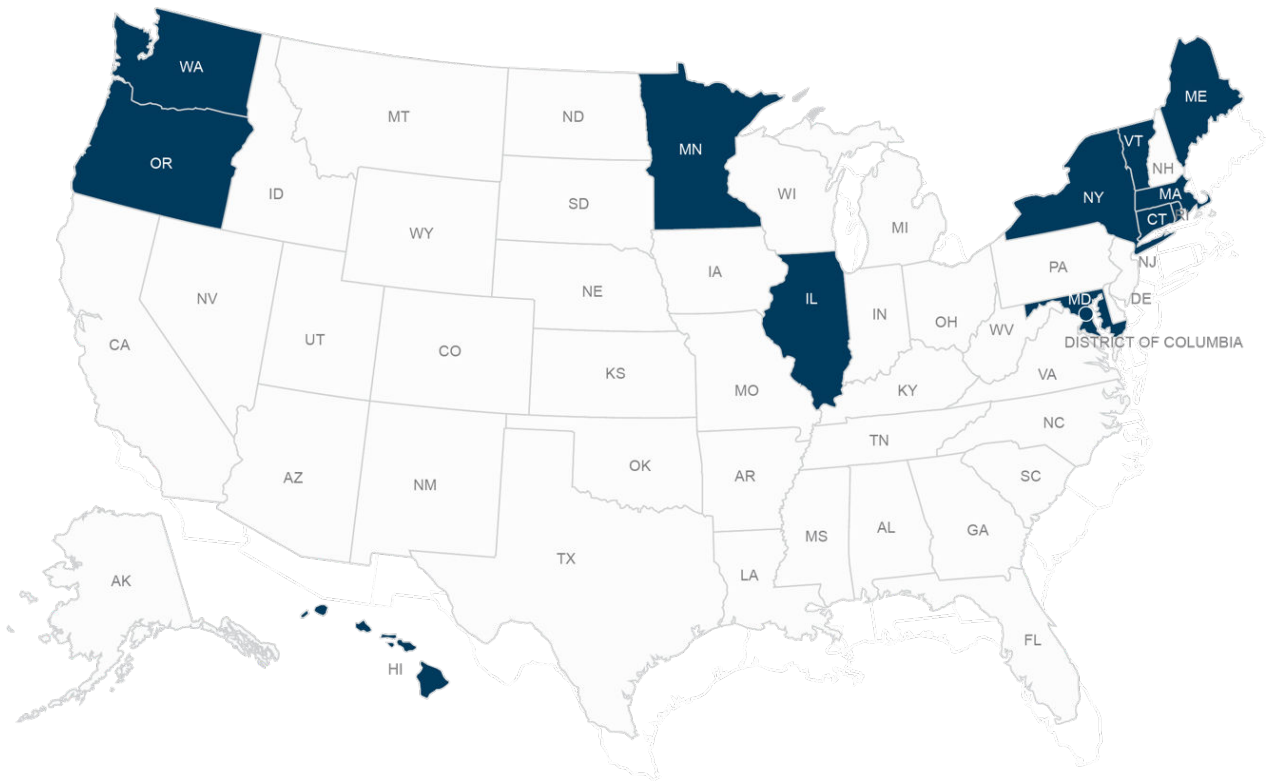
Meanwhile, a few states' exemptions have remained steady over the past few years, as reflected in the below chart of exemption amounts in 2021, 2022, 2023, and 2024. Oregon's state estate tax exemption remains the lowest state death tax exemption of any of the states, at \$1,000,000. (Before 2023, Massachusetts also had an exemption of \$1,000,000. But, as noted above, Massachusetts doubled its exemption beginning in 2023.)

[map and chart on following pages]

The changes in the exemptions for those states with a state estate tax and the District of Columbia from 2021 to 2024 are summarized in the chart below:

## Changes in Exemptions in State Death Taxes — 2021–2024

### States Currently Imposing a Death Tax



## Changes in Exemptions in State Death Taxes—2021–2024, continued

State	2021 State Death Tax Exemption	2022 State Death Tax Exemption	2023 State Death Tax Exemption	2024 State Death Tax Exemption
Connecticut	\$7,100,000	\$9,100,000	\$12,920,000	\$13,610,000
D.C.	\$4,000,000	\$4,254,800	\$4,528,800	\$4,715,600 <sup>2</sup>
Hawaii	\$5,490,000	\$5,490,000	\$5,490,000	\$5,490,000 <sup>3</sup>
Illinois	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Maine	\$5,870,000	\$6,010,000	\$6,410,000	\$6,800,000 <sup>4</sup>
Maryland	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Massachusetts	\$1,000,000	\$1,000,000	\$2,000,000	\$2,000,000
Minnesota	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
New York	\$5,930,000	\$6,110,000	\$6,580,000	\$6,940,000 <sup>5</sup>
Oregon	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Rhode Island	\$1,595,156	\$1,648,611	\$1,733,264	\$1,774,583 <sup>6</sup>
Vermont	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000

<sup>2</sup> This amount is adjusted annually for inflation, and the above amount reflects the adjustment for 2024. See DC Estate Tax Return Form, D-76 and Form D-76 EZ, available at [https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/2024\\_D-76\\_v1\\_01.31.24\\_Final.pdf](https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/2024_D-76_v1_01.31.24_Final.pdf).

<sup>3</sup> On April 21, 2022, Hawaii’s governor signed SB 3143, which conformed Hawaii’s estate and GST tax laws to the laws of the Internal Revenue Code beginning for tax years after December 31, 2021. However, the instructions to Hawaii’s Form M-6, Hawaii Estate Tax Return, confirm that the Hawaii exclusion amount remains at \$5,490,000 for 2024.

<sup>4</sup> This amount is adjusted annually for inflation, and the above amount reflects the adjustment for 2024. See Maine Revenue Services, “Estate Tax (706ME)”, available at <https://www.maine.gov/revenue/taxes/income-estate-tax/estate-tax-706me>.

<sup>5</sup> This amount is adjusted annually for inflation, and the above amount reflects the adjustment for 2024. See New York State Department of Taxation and Finance, “Estate tax”, available at <https://www.tax.ny.gov/pit/estate/etidx.htm>.

<sup>6</sup> This amount is adjusted annually for inflation, and the above amount reflects the adjustment for 2024. See Rhode Island Department of Revenue, Division of Taxation, “2024 Tax changes”, available at [https://tax.ri.gov/sites/g/files/xkqbur541/files/2024-01/ADV\\_2024\\_02\\_Tax\\_Changes.pdf](https://tax.ri.gov/sites/g/files/xkqbur541/files/2024-01/ADV_2024_02_Tax_Changes.pdf).

State	2021 State Death Tax Exemption	2022 State Death Tax Exemption	2023 State Death Tax Exemption	2024 State Death Tax Exemption
Washington	\$2,193,000	\$2,193,000	\$2,193,000	\$2,193,000

For a more complete discussion of the state death taxes, please see the State Death Tax Chart maintained at the website of the American College of Trust and Estate Counsel, available here:

<https://www.actec.org/resources/state-death-tax-chart/>

Planners must be especially careful in planning for clients who reside in a state with a state estate tax or the District of Columbia or who have property located in state with a state estate tax and subject to that state’s estate tax. The different exemptions can make this planning quite complicated.

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