



Robert W. Wood

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Will Ohio Estate Tax Repeal Trigger More?

It's no secret that the \$5 million exclusion and portability provisions of our 2011 and 2012 federal estate tax law are a surprisingly good deal. With apologies for sounding [ghoulish](#), let's assume you didn't manage the optimum tax timing by dying in 2010. Even so, 2011 and 2012 are pretty good years. We have no idea what estate tax law 2013 will bring.

To be sure, we all have lots to worry about in evaluating estate planning. Consider the way you want your assets to go, who should make decisions, and if your estate will be of sufficient size, federal estate tax issues too. See [Estate Tax Lessons From George Steinbrenner, Gary Coleman And More](#). But some issues are less obvious than you might think, such as **state** taxes.

When considering your own estate or someone else's, don't forget your potential liability for state death taxes. For decades, if you paid state death taxes you could claim credit for them on the federal estate tax return. A dollar-for-dollar credit meant state death taxes didn't add to your overall tax liability. In 2005, however, the credit was changed into a mere deduction. Think of it like state income taxes, which are deductible against the federal.

Many states still have a state death tax, but most state exemption amounts don't track the federal increases. That can create painful surprises. Keep in mind that the federal law for 2011 and 2012 continues to give you only a **deduction** for paying the state death taxes, not a **credit**. Some states have an estate tax, some have an inheritance tax

(levied on the value of specific property bequeathed to heirs), and some have both.

After your \$5 million exemption, the federal estate tax is 35%. But your combined federal and state taxes may mean you shouldn't use 35% in your calculations.

Combined Federal and State Death Tax Rates	
Indiana	48.0%
Washington	47.4%
Nebraska	46.7%
Delaware	45.4%
District of Columbia	45.4%
Hawaii	45.4%
Illinois	45.4%
Kentucky	45.4%
Maine	45.4%
Maryland	45.4%
Massachusetts	45.4%
Minnesota	45.4%
New Jersey	45.4%
New York	45.4%
North Carolina	45.4%
Oregon	45.4%
Rhode Island	45.4%
Vermont	45.4%

Iowa	44.8%
Pennsylvania	44.8%
Connecticut	42.8%
Tennessee	41.2%
All Other States	35.0%
<i>Source: American Family Business Foundation: State Death Tax Report (Feb. 2011)</i>	

Consider Combined Rates. Some states are evaluating their taxes. Indeed, there are suggestions that some state death taxes are counterproductive. See [Study Finds Rhode Island's Estate Tax Causes Exodus Of People And Money](#). While repeal efforts seem popular right now, so is raising revenue. That's a push-me-pull-you debate if ever there was one.

For more, see:

[Ohio Shows the Way on Death Tax Repeal](#)

[Ohio Repeals Its Estate Tax; Maine And Oregon Tweak Theirs](#)

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*