



HF 751 – Inheritance Tax Reduction (LSB2107YH)
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Fiscal Note Version – New

Description

[House File 751](#) reduces Iowa inheritance tax rates by 50.0%. The change is effective July 1, 2019, and applies to deaths occurring on or after that date.

Background

Inheritances received by a spouse or lineal ascendants and descendants (children, grandchildren, parents, grandparents, etc.) are exempt from Iowa inheritance tax under current law. For inheritances not exempt, the tax rate varies by size of the inheritance and category of inheritor.

- If the net value of the entire estate is less than \$25,000, the tax rate is 0.0%.
- For a brother, sister, son-in-law, or daughter-in-law, the rate is 5.0% to 10.0%.
- For an aunt, uncle, niece, nephew, foster child, cousin, brother-in-law, sister-in-law, and all other individual persons, the rate is 10.0% to 15.0%.
- For firms and for-profit corporations and organizations, the rate is 15.0%.
- For charitable, educational, or religious organizations organized under the laws of any other state or country, the rate is 10.0%.
- For bequests for religious services in excess of \$500, the rate is 10.0%.
- For unknown heirs, the rate is 5.0%.
- For public libraries and art galleries, hospitals, humane societies, municipal corporations, or for the care of cemetery or burial lots, or bequests for religious services not to exceed \$500, the rate is 0.0%.

Assumptions

- For FY 2019 and FY 2020, the assumed amount of revenue the State will receive under current law is equal to the March 2019 Revenue Estimating Conference gross inheritance tax estimates for those years.
- Annual estimates are reduced \$2.5 million to adjust for the average annual amount of gross inheritance tax that is refunded.
- For years beyond FY 2021, inheritance tax revenue is projected to grow 2.6% per year.
- In most instances, the tax return and payment are due nine months after the death date. Therefore, the revenue impact of the July 1, 2019, repeal is delayed.
- Future payments from deferred life estates and remainder interests, due from inheritances received prior to the repeal of the inheritance tax, are assumed to be minor and are therefore ignored in the fiscal impact calculation.

Fiscal Impact

The inheritance tax rate reduction is projected to reduce net General Fund revenue by \$15.4 million in FY 2020 and \$45.2 million in FY 2021. The revenue reduction is projected to grow by 2.6% per year after FY 2021.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

April 8, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
