



[HF 841](#) – Inheritance Tax Phase-Out (LSB2604YH)

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Fiscal Note Version – New

Description

[House File 841](#) increases the maximum value of an estate that is exempt from the Iowa inheritance tax over three years and then repeals the inheritance tax and the qualified use inheritance tax effective for deaths occurring on or after July 1, 2024. Under current law, an inheritance from an estate with a net value of less than \$25,000 is not subject to the State inheritance tax. Under the Bill, the exempt value is increased to:

- \$300,000 for deaths occurring between July 1, 2021, and June 30, 2022.
- \$600,000 for deaths occurring between July 1, 2022, and June 30, 2023.
- \$1,000,000 for deaths occurring between July 1, 2023, and June 30, 2024.

The exemption amounts under current law and under the Bill relate to the size of the decedent's net estate (value of the entire estate after deducting liabilities and allowed estate expenses) that may benefit from the exemption. The exemption does not provide a benefit to estates with a higher net value than the exemption amount.

Background

An inheritance received by a lineal ascendant or descendant of the deceased is exempt from the Iowa inheritance tax no matter the value of the estate or the amount inherited. Tax rates from 5.0% to 15.0% may apply to inheritances that are not otherwise exempt under Iowa Code chapter [450](#). Inheritance tax returns are generally due nine months after the death of the decedent.

A gross total of \$81.5 million in Iowa inheritance tax was deposited to the State General Fund in FY 2020. Over the past six years, refunds of Iowa inheritance tax have averaged \$2.4 million. Forecasted Iowa inheritance tax gross receipts for FY 2021 and FY 2022 equal \$88.0 million and \$91.3 million respectively. Iowa inheritance tax refunds are not forecasted separately.

Assumptions

The Department of Revenue (DOR) analyzed a sample of 150 Iowa inheritance tax returns filed over the past five years to produce this estimate. The tax involved with the future returns is assumed to reach the State General Fund nine months after the death of the decedent.

Fiscal Impact

The DOR estimates that raising the value of an estate that is exempt from the Iowa inheritance tax and then repealing the tax beginning with deaths occurring on or after July 1, 2024, will reduce Iowa General Fund revenue by the following annual amounts:

- FY 2022 = \$2.1 million
- FY 2023 = \$9.7 million
- FY 2024 = \$23.1 million
- FY 2025 = \$59.0 million
- FY 2026 = \$105.6 million

Source

Department of Revenue

/s/ Holly M. Lyons

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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.

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