



**SF 2292** – Inheritance Tax Phase-Out (LSB5721XS)

Analyst: Jeff Robinson (Phone: 515-281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))

Fiscal Note Version – New

**Description**

**Senate File 2292** reduces the state inheritance tax owed by 10 percentage points each year, starting with any taxed inheritance resulting from a death occurring on or after July 1, 2017. Effective July 1, 2026, the state inheritance tax will be repealed. The changes also apply to the qualified use inheritance tax.

**Background**

The Iowa inheritance tax, including the qualified use inheritance tax, produced \$91.0 million in General Fund revenue during FY 2014 and \$87.0 million during FY 2015. For FY 2016 and FY 2017, the tax is projected to generate \$95.7 million and \$101.9 million, respectively.

**Assumptions**

Iowa's aging population and changes in the value of inherited assets contribute to the change in inheritance tax revenue from year to year. The Department of Revenue utilized average annual inheritance tax growth of 8.8% per year for their current law projection.

For the revenue projection under the provision of the bill, the Department assumed 44.2% of tax receipts are associated with deaths that occurred in that fiscal year and 55.8% of the receipts are associated with deaths that occurred in the previous fiscal year.

**Fiscal Impact**

The phase-out of the state inheritance tax is projected to reduce net General Fund revenue beginning in FY 2018. By FY 2028, the tax is eliminated. The impact extends beyond FY 2028 at a level similar to the level projected for FY 2028.

**General Fund Revenue Reduction**  
(in millions)

Fiscal Year	Amount	Fiscal Year	Amount
FY 2018	\$ 4.9	FY 2024	\$ 120.0
FY 2019	17.2	FY 2025	150.6
FY 2020	31.4	FY 2026	185.5
FY 2021	48.8	FY 2027	225.0
FY 2022	69.5	FY 2028	258.2
FY 2023	93.1		

**Source**

Iowa Department of Revenue

/s/ Holly M. Lyons

April 12, 2016