

S.55

An act relating to creating a flat rate for Vermont's estate tax and creating an estate tax exclusion amount that matches the federal amount

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. § 7402(13) is amended to read:

(13) "Vermont gross estate" means for any decedent the value of the federal gross estate under the laws of the United States, in excess of \$2,450,000.00 without adjustment for any amount under 26 U.S.C. § 2010(c)(4), but after adding back federal adjusted taxable gifts made by the decedent within one year of death and excluding the value of real or tangible personal property which has an actual situs outside Vermont at the time of death of the decedent, ~~and also excluding in.~~ In the case of a nonresident of Vermont the value of intangible personal property owned by the decedent shall also be excluded.

Sec. 2. 32 V.S.A. § 7442a is amended to read:

§ 7442a. IMPOSITION OF A VERMONT ESTATE TAX AND RATE OF
TAX

(a) A 16 percent tax is hereby imposed on the transfer of the Vermont taxable estate of every decedent ~~dying on or after January 1, 2002, who, at the time of death, was a resident of this State. The base amount of this tax shall be a sum equal to the amount of the credit for State death taxes allowable to a~~

~~decedent's estate under 26 U.S.C. § 2011 as in effect on January 1, 2001. This base amount shall be reduced by the lesser of the following:~~

~~(1) The total amount of all constitutionally valid State death taxes actually paid to other states; or~~

~~(2) A sum equal to the proportion of the credit which the value of the property taxed by other states bears to the value of the decedent's total gross estate for federal estate tax purposes.~~

~~(b) A tax is hereby imposed on the transfer of the Vermont estate of every decedent dying on or after January 1, 2002, who, at the time of death, was not a resident of this State. The amount of this tax shall be a sum equal to the proportion of the base amount of tax under subsection (a) of this section which the value of Vermont real and tangible personal property taxed in this State bears to the value of the decedent's total gross estate for federal estate tax purposes.~~

~~(c) The Vermont estate tax shall not exceed the amount of the tax imposed by 26 U.S.C. § 2001 calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were \$2,750,000.00, and with no deduction under 26 U.S.C. § 2058.~~

~~(d)~~(b) All values shall be as finally determined for federal estate tax purposes.

Sec. 3. 32 V.S.A. § 7475 is amended to read:

§ 7475. ADOPTION OF FEDERAL ESTATE AND GIFT TAX LAWS

The laws of the United States relating to federal estate and gift taxes as in effect on December 31, ~~2013~~ 2014, are hereby adopted for the purpose of computing the tax liability under this chapter, except:

~~(1) the credit for State death taxes shall remain as provided for under 26 U.S.C. §§ 2011 and 2604 as in effect on January 1, 2001;~~

~~(2) the applicable credit amount shall under 26 U.S.C. § 2010 shall not apply; and the tax imposed under section 7442a of this chapter shall be calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were \$2,750,000.00; and~~

~~(3) the deduction for State death taxes under 26 U.S.C. § 2058 shall not apply to the extent such laws conflict with any provision of this chapter.~~

Sec. 4. 32 V.S.A. § 7402(13) is amended to read:

(13) “Vermont gross estate” means for any decedent the value of the federal gross estate under the laws of the United States in excess of ~~\$2,450,000~~ \$3,900,000.00 without adjustment for any amount under § Section 2010(c)(4) of the Internal Revenue Code, but after adding back federal adjusted taxable gifts made by the decedent within two years of death and excluding the value of real or tangible personal property which has an actual situs outside Vermont at the time of death of the decedent. In the case of a nonresident of Vermont

the value of intangible personal property owned by the decedent shall also be excluded.

Sec. 5. 32 V.S.A. § 7402(13) is amended to read:

(13) “Vermont gross estate” means for any decedent the value of the federal gross estate under the laws of the United States in excess of ~~\$3,900,000~~ the basic exclusion amount under 26 U.S.C. § 2010(c)(3) without adjustment for any amount under § Section 2010(c)(4) of the Internal Revenue Code, but after adding back federal adjusted taxable gifts made by the decedent within three years of death and excluding the value of real or tangible personal property which has an actual situs outside Vermont at the time of death of the decedent. In the case of a nonresident of Vermont, the value of intangible personal property owned by the decedent shall also be excluded.

Sec. 6. EFFECTIVE DATES

(a) Notwithstanding 1 V.S.A. § 214, this section and Secs. 1–3 (estate tax) shall take effect on January 1, 2016, and apply to decedents dying after December 31, 2015, except that the annual update of the estate tax link to the Internal Revenue Code shall take effect retroactively to January 1, 2014, and apply to decedents dying on or after January 1, 2014.

(b) Sec. 4 (exclusion amount of \$3,900,000.00) shall take effect on
January 1, 2017, and apply to decedents dying after December 31, 2016.

(c) Sec. 5 (federal exclusion amount) shall take effect on January 1, 2019,
and apply to decedents dying after December 31, 2018.