

Estate Tax Overview

House Committee on Ways and Means

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Federal Estate Tax

- In 2026 the exemption amount is \$15 million for a single person and \$30 million if joint. Estates are taxed only on their value above those thresholds. Exemptions are adjusted for inflation annually.
- Prior to TCJA in 2017 the exemption amounts were \$5.49 million if single and \$10.98 million if joint.

Tax rate	Taxable amount over threshold	Tax owed
18%	\$0 to \$10,000.	18% of taxable amount.
20%	\$10,001 to \$20,000.	\$1,800 plus 20% of the amount over \$10,000.
22%	\$20,001 to \$40,000.	\$3,800 plus 22% of the amount over \$20,000.
24%	\$40,001 to \$60,000.	\$8,200 plus 24% of the amount over \$40,000.
26%	\$60,001 to \$80,000.	\$13,000 plus 26% of the amount over \$60,000.
28%	\$80,001 to \$100,000.	\$18,200 plus 28% of the amount over \$80,000.
30%	\$100,001 to \$150,000.	\$23,800 plus 30% of the amount over \$100,000.
32%	\$150,001 to \$250,000.	\$38,800 plus 32% of the amount over \$150,000.
34%	\$250,001 to \$500,000.	\$70,800 plus 34% of the amount over \$250,000.
37%	\$500,001 to \$750,000.	\$155,800 plus 37% of the amount over \$500,000.
39%	\$750,001 to \$1,000,000.	\$248,300 plus 39% of the amount over \$750,000.
40%	\$1,000,001 and up.	\$345,800 plus 40% of the amount over \$1,000,000.



Vermont Estate Tax

Title 32 : Taxation and Finance

Chapter 190 : Estate and Gift Taxes

Subchapter 003 : ESTATE TAX

(Cite as: 32 V.S.A. § 7442a)

§ 7442a. Imposition of a Vermont estate tax and rate of tax

(a) A tax is hereby imposed on the transfer of the estates of decedents as prescribed by this chapter.

(b) The tax shall be computed as follows. The following rates shall be applied to the Vermont taxable estate:

Amount of Vermont Taxable Estate	Rate of Tax
Under \$5,000,000.00	None
\$5,000,000.00 or more	16 percent of the excess over \$5,000,000.00



Vermont Estate Tax

- Act 71 of 2019 increased the exemption threshold over two years.
 - In 2020 the exemption threshold increased from \$2.75 million to \$4.25 million.
 - In 2021 the exemption threshold increased from \$4.25 million to \$5 million.
 - The threshold is not pegged to inflation so in **real dollar terms** the threshold has decreased each year since 2021. In nominal terms it has stayed constant.
 - <https://ljfo.vermont.gov/assets/Publications/As-Passed-by-the-General-Assembly/0e36507e02/GENERAL-340238-v5-Final Revenue Bill Fiscal Note-v2.pdf>



Vermont Estate Tax

- Before 2001, all 50 states had an estate tax.
- The Federal government provided a credit up to 16% of the estates value for state estate taxes.
 - States could raise revenue without increasing the net tax burden on their residents by linking directly to the federal credit, and states did so by setting their estate tax rate equal to the maximum deferral credit.
- The Economic Growth and Tax Relief Reconciliation Act phased out the credit by 2005.
- Because states were linked to the federal credit, without action their estate taxes disappeared unless they opted to decouple.



TABLE 1

State Estate Tax Parameters

Top tax rates and exemption thresholds, tax year 2022



State	Top tax rate (%)	Exemption threshold (\$)
Connecticut	12%	\$9,100,000
District of Columbia	16%	\$4,000,000
Hawaii	20%	\$5,490,000
Illinois	16%	\$4,254,800
Maine	12%	\$6,010,000
Maryland	16%	\$5,000,000
Massachusetts	16%	\$1,000,000
Minnesota	16%	\$3,000,000
New York	16%	\$6,110,000
Oregon	16%	\$1,000,000
Rhode Island	16%	\$1,648,611
Vermont	16%	\$5,000,000
Washington	20%	\$2,193,000

Source: TPC analysis of state tax codes and forms; Bloomberg State Tax Navigator (accessed February 2023).



Estate Tax Revenue Collections



Vermont Estate Tax Revenue

- 16 V.S.A. §2885 (a)(2) in any fiscal year in which a General Fund surplus exists and the General Fund Stabilization Reserve is funded to its required statutory level, funds raised by the estate tax levied under 32 V.S.A. Chapter 190 that are more than 125 percent of the amount projected by the Emergency Board in the July annual forecast made pursuant to 32 V.S.A. §305a are transferred to the Vermont Higher Education Trust Fund.



Vermont Estate Tax Revenue Collections

Fiscal Year	Higher Ed Fund Allocation (Millions)	General Fund Allocation (Millions)	Total Estate Tax
2025	\$26.4	\$28.8	\$55.2
2024		\$23.9	\$23.9
2023		\$18.6	\$18.6
2022		\$14.0	\$14.0
2021	\$3.5	\$23.4	\$26.9
2020		\$15.2	\$15.2
2019		\$12.6	\$12.6
2018		\$22.9	\$22.9
2017		\$16.7	\$16.7
2016		\$12.5	\$12.5
2015		\$9.9	\$9.9



Vermont Estate Tax Revenue Collections

VT Estate Tax Filers and Payers by Fiscal Year

Fiscal Year	Filers	Payers	Estate Tax	Average Estate Tax Paid
2017	89	46	\$12,687,956	\$275,825
2018	128	68	\$20,217,456	\$297,316
2019	114	67	\$14,070,283	\$210,004
2020	96	55	\$29,246,881	\$531,761
2021	91	45	\$16,528,710	\$367,305
2022	88	53	\$11,075,024	\$208,963
2023	103	60	\$25,399,661	\$423,328
2024	87	46	\$41,113,780	\$893,778
2025*	39	30	\$31,088,946	\$1,036,298

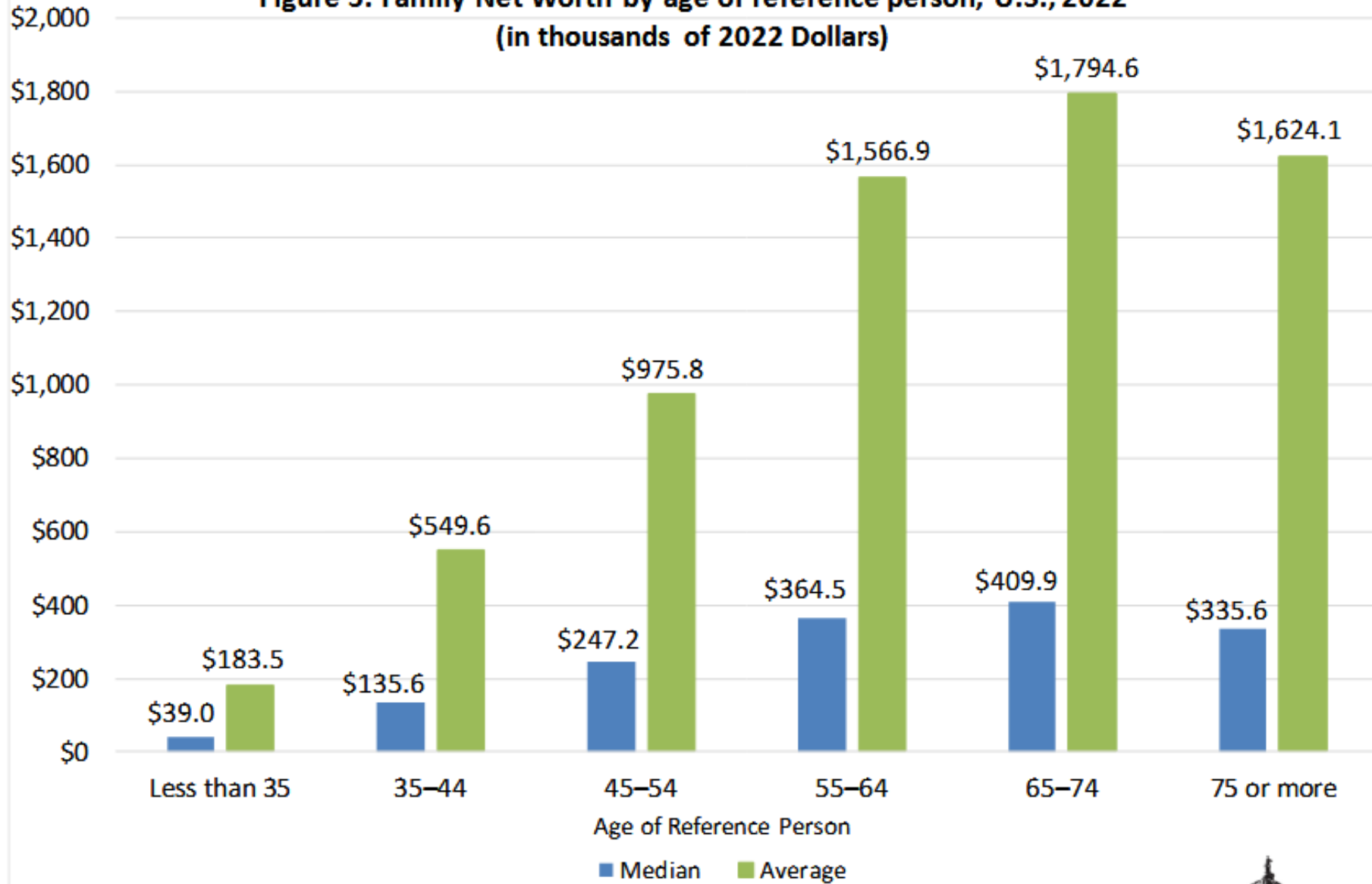
*2025 Figures are Preliminary

Source: VT Department of Taxes EST-191 as of 01/27/2026

- **Note:** this data is organized by “date of death” rather than when the State receives the actual payment.
- Figures will not match the actual revenue collections seen on the previous slide.



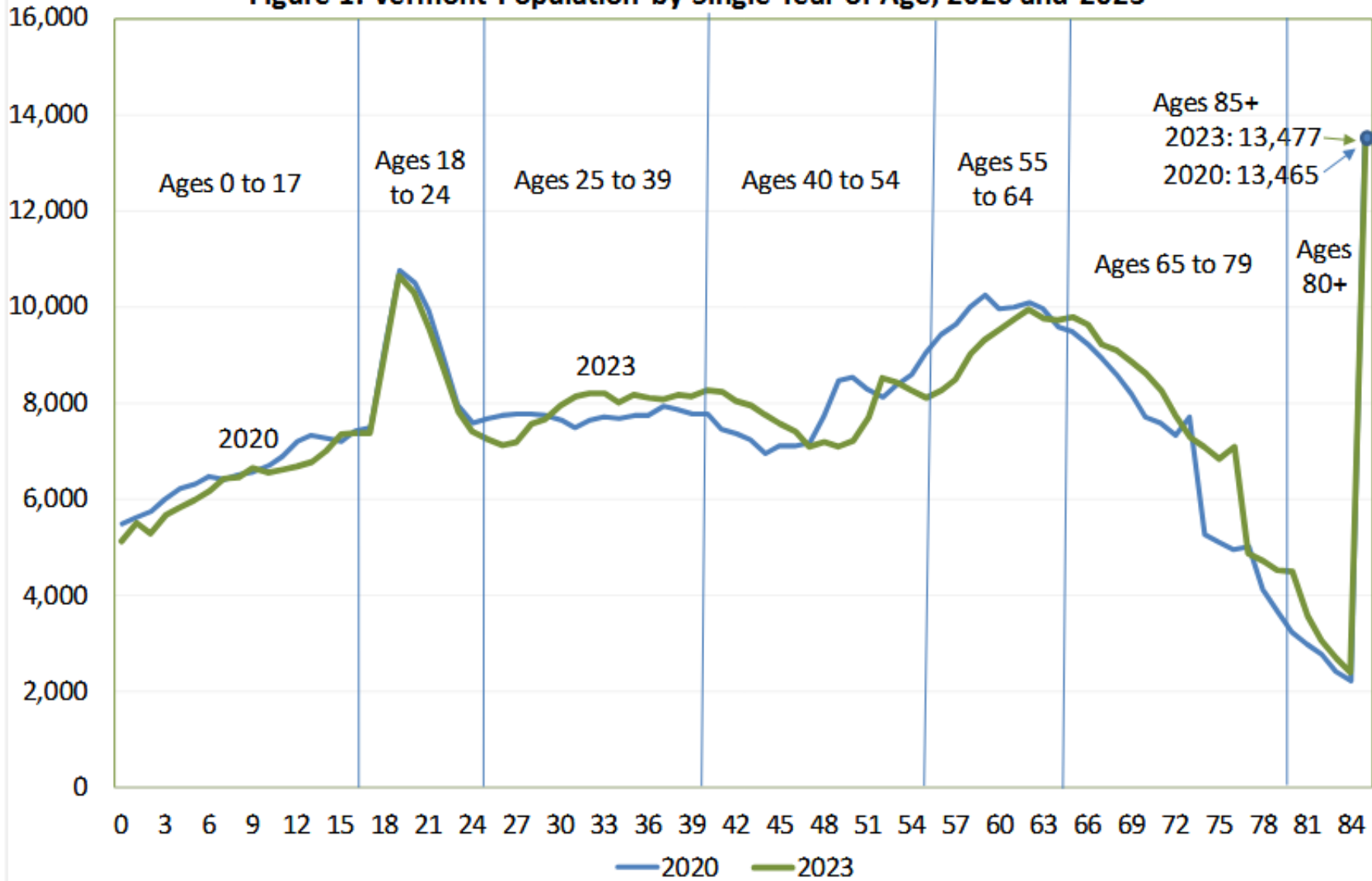
Figure 5. Family Net Worth by age of reference person, U.S., 2022
(in thousands of 2022 Dollars)



Source: Board of Governors of the Federal Reserve Board, 2022 Survey of Consumer Finances,
<https://www.federalreserve.gov/publications/files/scf23.pdf>



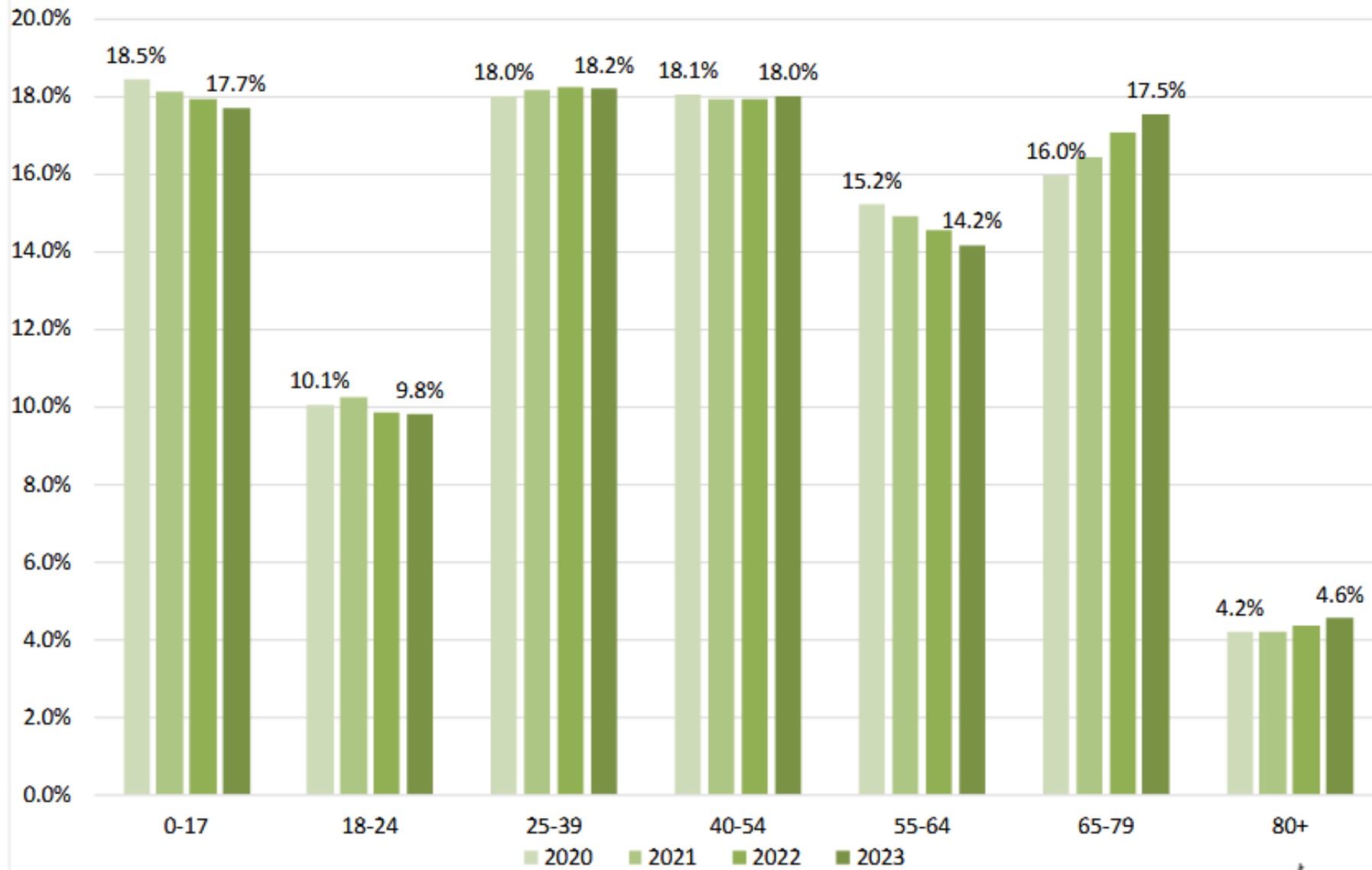
Figure 1. Vermont Population by Single Year of Age, 2020 and 2023



Source: Census Bureau, Annual Estimates of the Resident Population by Single Year of Age and Sex for Vermont: April 1, 2020 to July 1, 2023 (SC-EST2023-SYASEX-50); <https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-detail.html>



Figure 2. Shares of Vermont's Population by Age Group, 2020-2023



Source: Census Bureau, Annual Estimates of the Resident Population by Single Year of Age and Sex for Vermont: April 1, 2020 to July 1, 2023 (SC-EST2023-SYASEX-50); <https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-detail.html>



Estate Tax vs Inheritance Tax



Estate Tax vs Inheritance Tax

- Estate taxes are levied on estate of the deceased and the value of its assets prior to any distributions to beneficiaries.
- Inheritance taxes are levied on the beneficiaries receiving a assets on the value of the assets they inherit.
 - Vermont had an inheritance tax from 1955 to 1971.
- The important distinction is who pays the tax.
 - A deceased person's estate pays estate taxes, and the recipient might be federal or a state government.
 - Beneficiaries pay inheritance taxes on the value of their share of the assets to state governments.



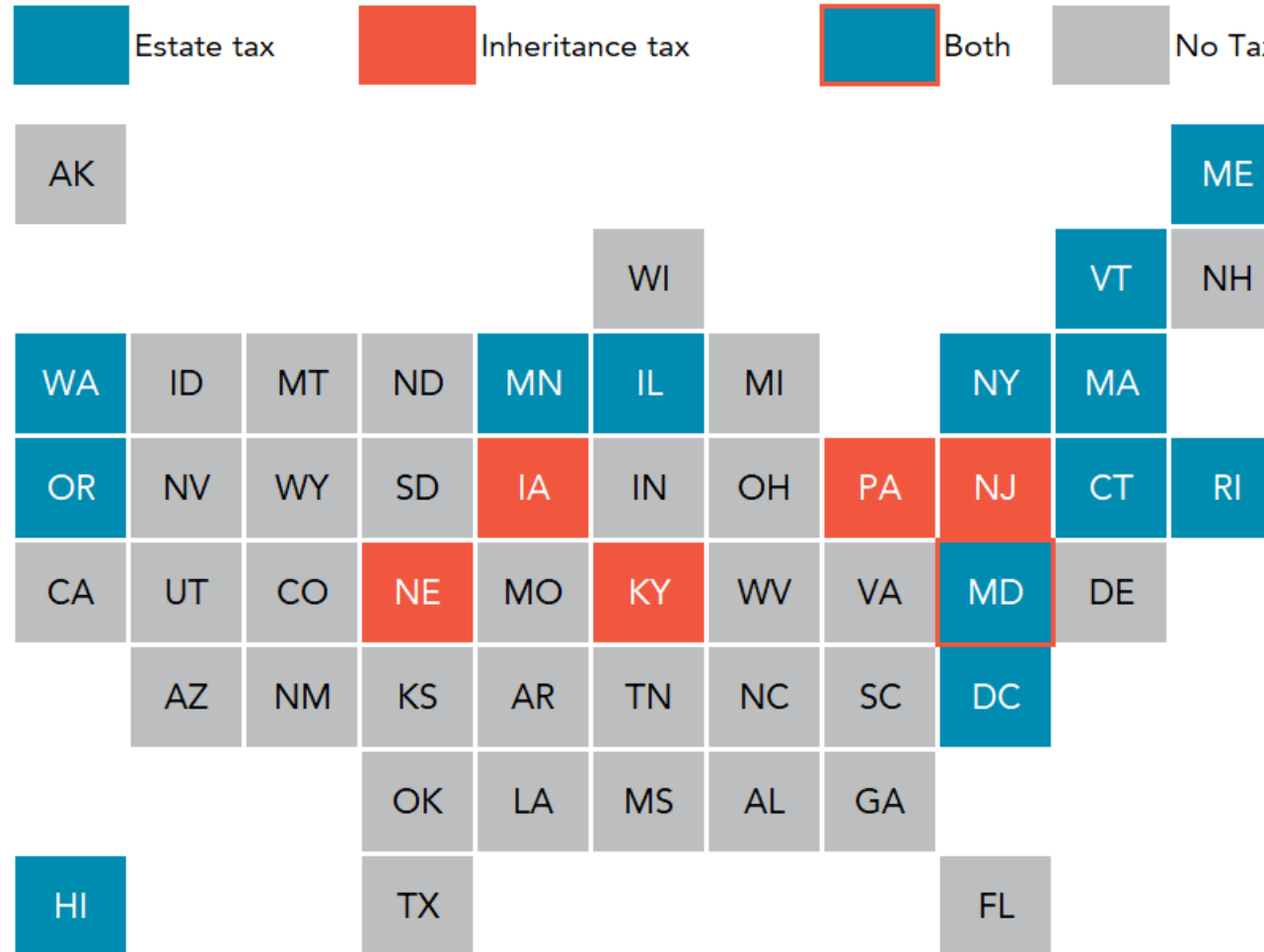
Estate Tax vs Inheritance Tax

- States with inheritance taxes administer it differently
 - In New Jersey, surviving spouses, parents, children and grandchildren are exempt from the tax. However, siblings, nieces, or nephews can pay a tax rate up to 16% on the inheritance.
 - In Pennsylvania, surviving spouses are exempt, an adult direct descendent pays a 4.5% tax, a sibling pays a 12% tax, and other heirs pay a 15% tax.



FIGURE 1

State Estate and Inheritance Taxes, 2023



Source: TPC analysis of state tax codes and forms; Bloomberg State Tax Navigator (accessed February 2023).



Estate Tax vs Inheritance Tax

- Estate taxes are easier to administer, generally apply to fewer people, and have been historically structured to align with federal tax rules.
 - The tax is based on the total value of assets before distribution.
- Inheritance taxes typically depend on the relationship between the deceased and is more directly tied to the recipient's ability to pay.
 - This means policy can be a bit more specifically tailored depending on objectives.



Higher Education Endowment Trust Fund



Vermont Higher Education Endowment Trust Fund

- Statute provides the State Treasurer with the ability to distribute 5% of the Fund's 12-quarter moving average value equally between UVM, VSC, and VSAC.
- UVM, VSC, and VSAC can only use those funds to provide non-loan financial aid to Vermont students attending Vermont post-secondary institutions.
- The Higher Education Trust Fund Council and Secretary of Administration can also approve up to an additional 2% split equally between UVM and VSC for endowment donation match.
- Distributions for both the 5% and the 2% can only be made from investment earnings on the Fund's principal.



Vermont Higher Education Endowment Trust Fund

- In 2024 distributions funded 675 scholarships, averaging \$1,400 per student and 73% of scholarships were awarded to first generation students.
- In FY2025 the Fund's portfolio posted a gain of 11.4% which allowed for the full 7% distribution totaling \$2.6 million.
 - UVM, VSC and VSAC each received \$621,251 for non-loan financial aid.
 - UVM and VSC each received \$372,751 to increase their permanent endowments.



Vermont Higher Education Endowment Trust Fund

Ending balance FY 2023	\$34,158,192
FY 2023 Contributions received in FY 2024	\$0
Opening balance FY 2024	\$34,158,192
FY 2023 Distributions withdrawn in FY 2023	
5%: <i>University of Vermont</i>	(\$306,941)
<i>Vermont State Colleges</i>	(\$306,941)
<i>Vermont Student Assistance Corp.</i>	(\$306,941)
2%: <i>University of Vermont</i>	\$0
<i>Vermont State Colleges</i>	\$0
Income earned FY 2024	\$947,236
Appreciation (Depreciation) FY 2024	\$2,443,461
Fees and Other Charges FY 2024	(\$5,165)
Accrued Unclaimed Property	\$134,747.37
Accrued Estate Tax	\$0.00
Principal Balance June 30, 2024 ³	\$36,757,647
Statutory Distributions Potentially Available ¹	
5% of 12-Quarter Moving Average as of June 30, 2024	(\$1,702,704)
2% of 12-Quarter Moving Average as of June 30, 2024	\$0
Total Projected Statutory Distribution Potentially Available	(\$1,702,704)
Projected Balance After Potential Projected Distributions	\$35,054,943
Threshold for Distributions (Contributions Accrued as of June 30, 2024)	\$33,372,116
Difference	\$1,682,827
Actual Distributions for FY2024	
5% Distribution	(\$1,702,704)
2% Distribution ²	\$0
	(\$1,702,704)
Principal Balance after distributions	\$35,054,943

Ending balance FY 2024	\$36,757,648
FY 2024 Contributions received in FY 2025	\$0
Opening balance FY 2025	\$36,757,648
FY 2024 Distributions Withdrawn in FY 2025	
5%: <i>University of Vermont</i>	(\$567,568)
<i>Vermont State Colleges</i>	(\$567,568)
<i>Vermont Student Assistance Corp.</i>	(\$567,568)
2%: <i>University of Vermont</i>	\$0
<i>Vermont State Colleges</i>	\$0
Income earned FY 2025	\$1,126,268
Appreciation (Depreciation) FY 2025	\$3,036,379
Fees and Other Charges FY 2025	(\$5,683)
Accrued Unclaimed Property	\$147,582.25
Accrued Estate Tax	\$26,369,277.12
Principal Balance June 30, 2025 ³	\$65,728,768
Statutory Distributions Potentially Available ¹	
5% of 12-Quarter Moving Average as of June 30, 2025	(\$1,863,754)
2% of 12-Quarter Moving Average as of June 30, 2025	(\$745,501)
Total Projected Statutory Distribution Potentially Available	(\$2,609,255)
Projected Balance After Potential Projected Distributions	\$63,119,513
Threshold for Distributions (Contributions Accrued as of June 30, 2025)	\$59,888,975
Difference After	\$3,230,537
Actual Distributions for FY2025	
5% Distribution	(\$1,863,754)
2% Distribution ²	(\$745,501)
	(\$2,609,255)
Principal Balance after distributions	\$63,119,513



Questions?

