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Death tax is a state tax that is assessed on the assets in a person's estate after the person dies. Until The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the death tax schedule in many states exactly matched the state death tax credit schedule applicable to federal estate taxes (the so-called "sponge" tax). The result was that in these states the total of federal estate tax and state death tax equaled the federal estate tax that would be due if there were no state death tax.

EGTRRA includes the incremental phase-out of the state death tax credit from 2002 - 2004, followed by repeal of the credit in 2005. Consequently, many states have altered or are in the process of altering the calculation of their death tax so that it is not linked to the disappearing federal death tax credit schedule. In general, the new state death tax calculations yield similar death tax amount as they did under the old "sponge" tax approach.

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