



Estate Tax (Form 706)

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Estate Tax (Form 706)

At death, all property of the decedent is included in the gross estate for estate tax. Taxable gifts made after 1976 are added to the total. The estate is allowed deductions for funeral expenses, administrative expenses, decedent's debts, and state death taxes. Most property passing to a surviving spouse or charity is also fully deductible.

States with Estate or Inheritance Tax

Connecticut	Kentucky*	Nebraska*	Rhode Island
District of Columbia	Maine	New Jersey*	Vermont
Hawaii	Maryland**	New York	Washington
Illinois	Massachusetts	Oregon	
Iowa*	Minnesota	Pennsylvania*	

* Inheritance tax only. **Has both an estate and an inheritance tax.

Estate tax is due if the net estate is more than the estate tax exclusion for the year of death (\$12,920,000 in 2023). The estate receives a credit for gift tax payable by the donor during life.

Example: Henry died in 2023. He had the following assets:

House	\$2,675,000
Cabin	950,000
Bank accounts.....	1,100,000
Brokerage account.....	4,250,000
Household and personal property	560,000
Vehicles.....	145,000
IRA rollover account.....	1,200,000
Total.....	\$10,880,000

Henry gave each of his four children \$750,000 when his wife died in 2011. He reported taxable gifts of \$2,948,000 (\$750,000 minus \$13,000 annual exclusion per gift). Henry made no other taxable gifts during his lifetime and paid no gift tax in 2011.

Henry's estate paid funeral and other expenses of \$150,000 and state death tax of \$300,000. Tax on Henry's estate is calculated as follows:

Total gross estate	\$10,880,000
Less allowable expense deductions	(150,000)
Tentative taxable estate.....	10,730,000
State death tax deduction.....	(300,000)
Taxable estate	10,430,000
Adjusted taxable gifts made after 1976.....	2,948,000
Total.....	13,378,000
Tentative tax.....	5,297,000
Gift tax payable on gifts after 1976	(0)
Gross estate tax.....	5,297,000
Allowable credit.....	(5,113,800)
Estate tax	\$183,200

Marital Deduction

An unlimited deduction is allowed for transfers to a spouse during life and for assets passing to a surviving spouse at death. **Exceptions:**

- Assets passing to a spouse who is not a U.S. citizen.
- Certain terminable interests.

The marital deduction does not exclude assets from tax but rather postpones tax until the death of the second spouse. Assets that pass to a surviving spouse are included in the surviving spouse's estate and taxed at his or her death. Transfers that could allow taxable assets to pass to someone other than the spouse without estate tax generally do not qualify for the marital deduction.

Noncitizen Spouses

Gifts to a spouse who is not a U.S. citizen do not qualify for the marital deduction. A taxpayer is allowed a higher annual exclusion for gifts to a noncitizen spouse (\$175,000 in 2023).