

A Primer on the Vermont Estate Tax

About 5,000 Vermonters die each year (and it hasn't changed much in the past ten years)

About 30 estates owe an Estate Tax to the State of Vermont.

(An additional 20 individuals from outside also owe the Vermont Estate Tax)

Those 50 estates (+/-) result in Estate Taxes of \$15-25 million per year

About 80% from Vermont resident estates

A History of Revenues from the Vermont Estate Tax (By Fiscal Year, not Year-of-Death)

Fiscal Year	Estate Tax Revenues
2004	\$14.7 million
2005	\$18.9 million
2006	\$26.2 million
2007	\$17.8 million
2008	\$15.7 million
2009	\$23.4 million

In general, only estates of value > \$2 million must pay a Vermont Estate Tax

Married couples can protect \$4 million from the Estate Tax (if planned properly)

At the federal level, only estates of value > \$3.5 million must pay the federal Estate Tax

Married couples can protect \$7 million from the Estate Tax (if planned properly)

If Vermont had adhered to federal rules, about 15 estates would no longer have to pay Vermont tax and the loss of revenue would be \$2-4 million annually.

Vermont has a farm exclusion so that the value of a farm is not included in the determination of the estate value. (It is unknown how often this exclusion is exercised.)

How the Vermont Estate Tax Is Calculated

Start with the State Tax Credit (from 2001) (and use the federal determination of estate value)

(Insert tax table from Vermont Estate Tax form here)

Sometimes, the Federal calculation is an effect

A straight 45% of the value of the Estate above \$2,000,000

Therefore, for estates valued between \$2 million and \$2.5 million, the actual Vermont Estate Tax due is based on the federal calculation

Starting in 2009, there are some estates that will be taxed in Vermont and not at the Federal level. This leads to an estate planning dilemma for married couples.

First spouse transfers all but the exclusion amount to the surviving spouse

- The federal exclusion amount (\$3.5 million) or the state effective exclusion amount (\$2 million)?

But, we are not alone...

ESTIMATED STATE ESTATE AND INHERITANCE TAX COLLECTIONS

	FY2006 estimated collections (in millions)	Type of Tax*
Connecticut	\$155.0	Estate - decoupled
Illinois	\$285.0	Estate – state credit \$2 million
Indiana	\$140.0	Inheritance
Iowa	\$70.9	Inheritance
Kansas	\$53.0	Estate decoupled \$1 million
Kentucky	\$47.0	Inheritance
Maine	\$30.6	Estate – state credit \$1 million
Maryland	\$245.9	Estate plus Inheritance
Massachusetts	\$218.0	Estate – state credit \$1 million
Minnesota	\$210.0	Estate decoupled \$1 million
Nebraska	\$68.7	Estate plus Inheritance
New Jersey	\$580.0	Estate plus Inheritance
New York	\$855.0	Estate – state credit \$1 million
North Carolina	\$154.3	Estate – state credit \$3.5 million
Ohio	\$310.5	Estate decoupled \$500,000
Oklahoma	\$64.1	Estate decoupled \$2 million
Oregon	\$59.0	Estate – state credit \$1 million
Pennsylvania	\$725.5	Inheritance
Rhode Island	\$28.0	Estate – state credit \$675,000
Tennessee	\$84.0	Inheritance
Vermont	\$26.1	Estate – state credit \$2 million
Washington	\$39.9	Estate – stand alone
Wisconsin	\$124.0	Estate – state credit \$675,000

U.S. total **\$4,740.0**

Source: State budget documents or calls to state budget offices by CCH and VT Dept of Taxes.

*State taxes can take one of two forms — an estate tax or an inheritance tax. An estate tax is a tax levied on the estate and collected from the assets of the estate before it is transferred to the heirs of the estate. An inheritance tax, on the other hand, is a tax on the amount of the estate inherited by each heir and is levied on and collected from the surviving recipient.

The dollar amounts in this column are the 2009 thresholds for filing.

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Resident
and
Nonresident

This form applies only to
estates of decedents who died
after December 31, 2004 and
before January 1, 2009

ESTATE TAX RETURN

Name of Decedent (Last, First, Middle Initial)	Social Security Number
State of Domicile at Time of Death	Date of Death
Fiduciary's Name and Address	
Attorney's Name and Address	

**A DUPLICATE OF THE ESTATE TAX CLOSING LETTER MUST BE FILED
WITH THIS DEPARTMENT WHEN IT IS RECEIVED FROM THE IRS**

A. This section is for estates of Vermont Resident Decedents where all of the decedent's property is located in Vermont. (Please attach a copy of Page 1 of Federal Form 706.)	
Estate Tax due from Schedule A, Line 6 on the back of this form. Please remit this amount. A.	
B. This section is for estates of Vermont Resident Decedents where the decedent's property is located in Vermont and in other states. (Please use computation Schedule B on the back of this form.)	
Estate Tax due from Schedule B, Line 8 on back of this form. Please remit this amount. B.	
C. This section is for estates of Nonresident Decedents where the decedent's property is located in Vermont and in other states. (Please use computation Schedule C on the back of this form.)	
Estate Tax due from Schedule C, Line 13 on back of this form. Please remit this amount. C.	

DECLARATION OF FIDUCIARY

I hereby certify this return is true, correct and complete to the best of my knowledge. Preparers cannot use return information for purposes other than preparing returns.



**SIGN
HERE**

Date

Telephone Number

☐ Check here if authorizing the VT Department of Taxes to discuss this return and attachments with your preparer.

Preparer's Use Only	Preparer's signature _____	Date _____	Telephone Number _____
	Address _____		
	City, State, ZIP Code _____		

Make checks payable to **VERMONT DEPARTMENT OF TAXES** and mail this form to:

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Form E-1
Rev. 6/09

COMPUTATION SCHEDULES

SCHEDULE A. Vermont Estate Tax Calculation - For use by all filers.

Before you begin the worksheet below, complete a pro forma Federal Form 706, Page 1, leaving Line 3b blank. Attach to Vermont return.

1. Federal tentative taxable estate from Federal Form 706, Page 1, Line 3a	1.	
2. Adjustment	2.	60,000.00
3. Adjusted taxable estate. Subtract Line 2 from Line 1	3.	
4. Use the amount on Line 3 above to compute the estate tax liability using the Vermont Estate Tax Table. Enter the tax amount here.	4.	
5. Enter amount from pro forma Federal Form 706, Page 1, Line 12	5.	
6. Vermont estate tax. Enter the amount from Line 4 or Line 5, whichever is smaller.	6.	

Vermont Estate Tax Table - Computation of Estate Tax Liability

(1) Adjusted taxable estate equal to or more than -	(2) Adjusted taxable estate less than -	(3) Tax on amount in column (1)	(4) Rate of tax on excess over amount in column (1)	(1) Adjusted taxable estate equal to or more than -	(2) Adjusted taxable estate less than -	(3) Tax on amount in column (1)	(4) Rate of tax on excess over amount in column (1)
0	\$40,000	0	None	2,040,000	2,540,000	106,800	8.0%
\$40,000	90,000	0	0.8%	2,540,000	3,040,000	146,800	8.8%
90,000	140,000	\$400	1.6%	3,040,000	3,540,000	190,800	9.6%
140,000	240,000	1,200	2.4%	3,540,000	4,040,000	238,800	10.4%
240,000	440,000	3,600	3.2%	4,040,000	5,040,000	290,800	11.2%
440,000	640,000	10,000	4.0%	5,040,000	6,040,000	402,800	12.0%
640,000	840,000	18,000	4.8%	6,040,000	7,040,000	522,800	12.8%
840,000	1,040,000	27,600	5.6%	7,040,000	8,040,000	650,800	13.6%
1,040,000	1,540,000	38,800	6.4%	8,040,000	9,040,000	786,800	14.4%
1,540,000	2,040,000	70,800	7.2%	9,040,000	10,040,000	930,800	15.2%
				10,040,000	---	1,082,800	16.0%

SCHEDULE B. Vermont Resident Decedents with real and tangible personal property located outside Vermont.

(Attach a copy of the 706 **excluding** exhibits and appraisals.)

1. Vermont estate tax from Schedule A, Line 6	1.	\$	
2. Tax liability actually paid for death taxes to a state other than Vermont (Copies of nonresident returns must be attached.)	2.	\$	[Hatched Box]
3. Federal Total Gross Estate from Federal Form 706, Page 1, Line 1	3.	\$	
4. Non-Vermont Gross Estate* (see instructions for definition)	4.	\$	
5. Ratio of non-Vermont Gross Estate to Federal Estate (Line 4 divided by Line 3) ...	5.		
6. Adjusted Vermont estate tax (Multiply Line 1 by Line 5)	6.	\$	
7. Enter the lesser of Line 2 or 6	7.	\$	
8. Tax Due (Line 1 less Line 7). Enter here and on front of return, Section B	8.	\$	

SCHEDULE C. Nonresident Decedents with real and tangible personal property located in Vermont.

(Attach a copy of the 706 **excluding** exhibits and appraisals.)

9. Vermont estate tax from Schedule A, Line 6	9.	\$	
10. Federal Total Gross from Federal Form 706, Page 1, Line 1	10.	\$	[Hatched Box]
11. Vermont Gross Estate** (see instructions for definition)	11.	\$	
12. Ratio of Vermont Gross Estate to Federal Estate (Line 11 divided by Line 10) ...	12.		
13. Adjusted Vermont estate tax (Multiply Line 9 by Line 12) Tax Due. Enter here and on front of return, Section C	13.	\$	