

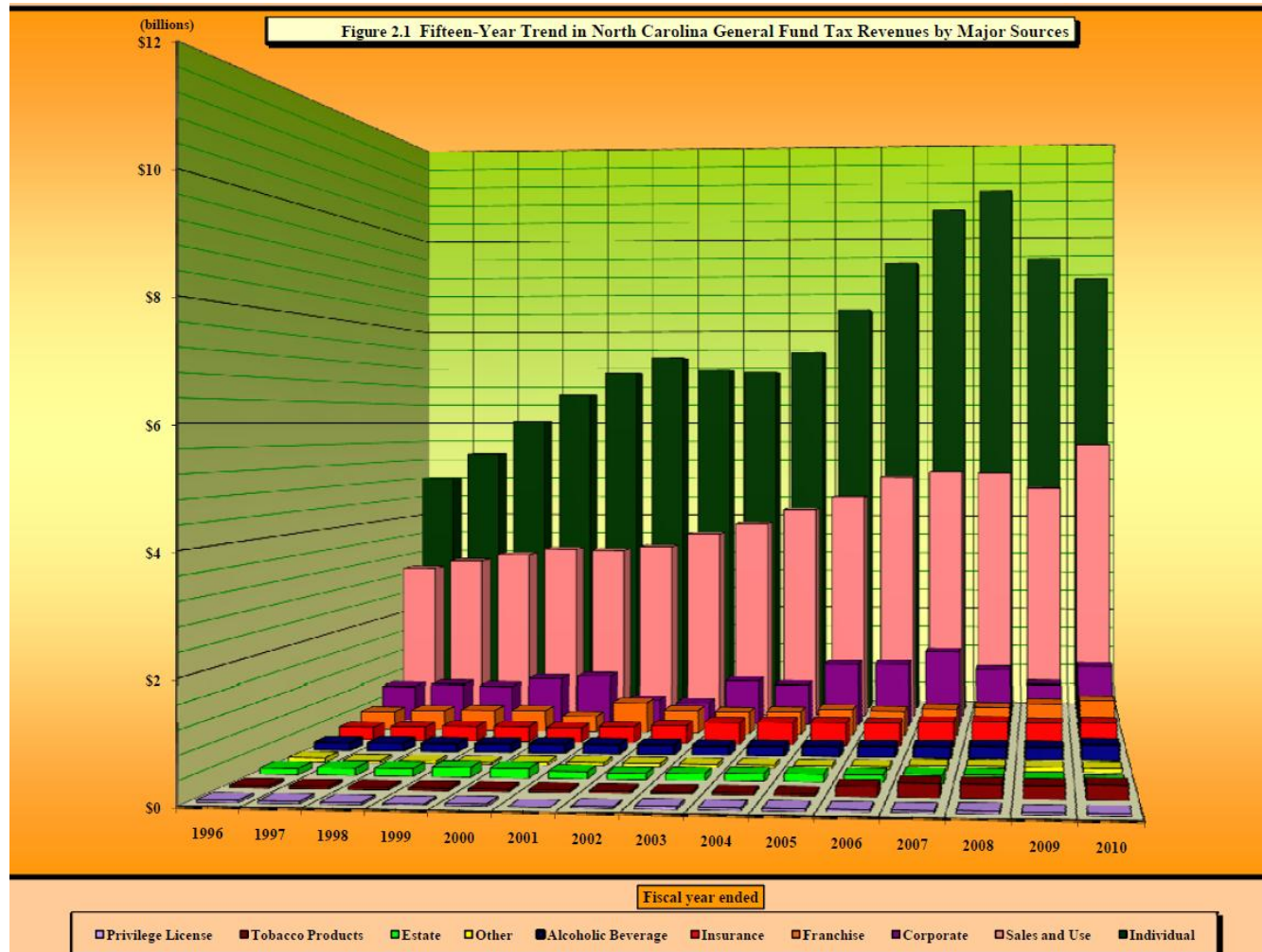
NC Estate Tax Overview

Revenue Laws Study Committee

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Source and Chart: NC Department of Revenue





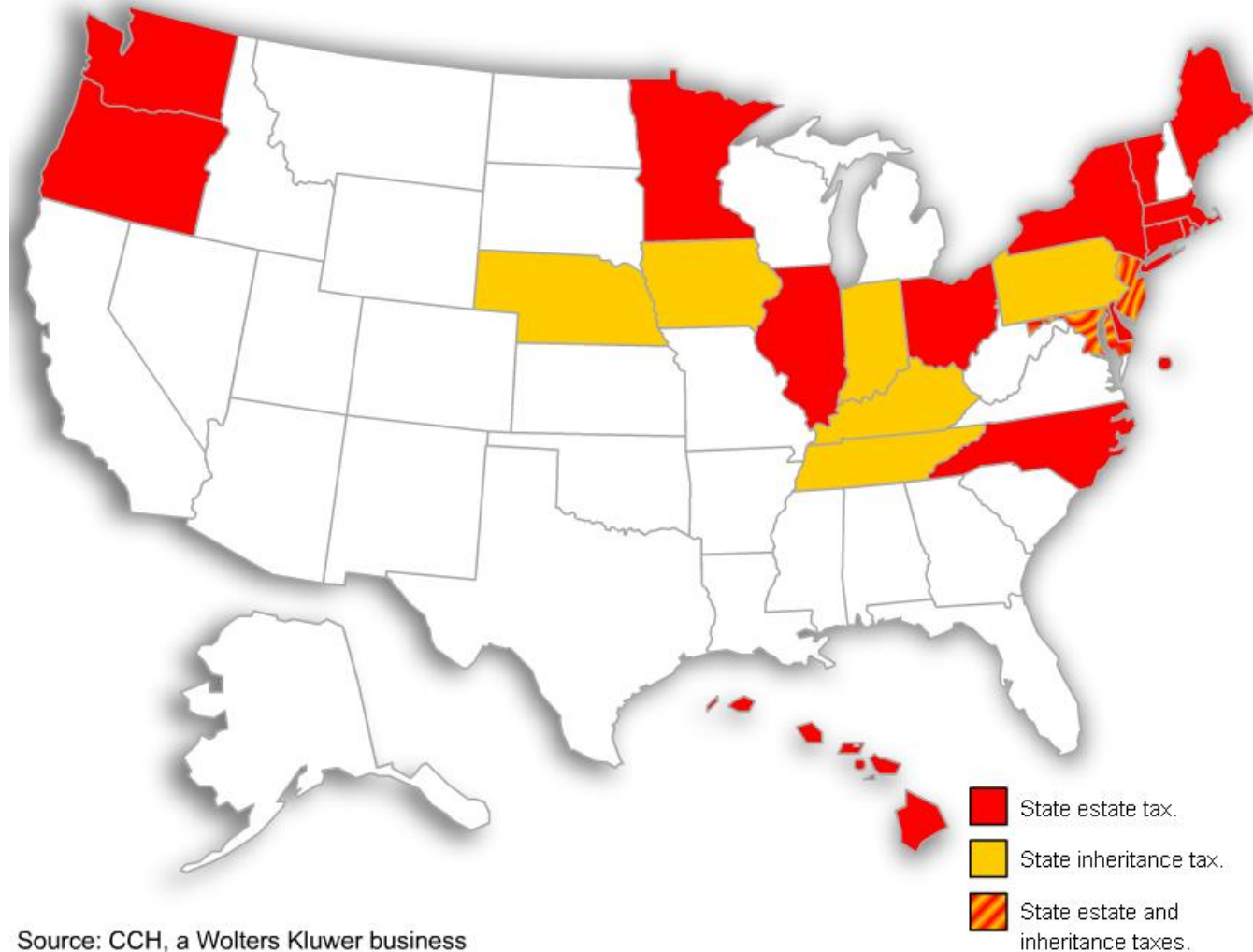
Estate Tax Applies at Death

- Tax on Past Activity (Accumulated Savings)
 - Wealth Transfer Tax - Estate Tax
- Tax on Ongoing Economic Activity
 - Income Taxes
 - Individual Income Tax
 - Corporate Income Tax
 - Consumption Taxes
 - Sales and Use Tax
 - Alcohol, Tobacco

NC Estate Tax Collections and Projections

Year	Collections (*=Projected) in millions
2001-2002	\$104.7
2002-2003	\$112.5
2003-2004	\$128.4
2004-2005	\$135.2
2005-2006	\$133.3
2006-2007	\$161.5
2007-2008	\$158.7
2008-2009	\$104.2
2009-2010	\$71.9
2010-2011	\$23.8
2011-2012	\$64*
2012-2013	\$92.2*

Other States: 22 States and DC Impose Estate Tax or Inheritance Tax



Source: CCH, a Wolters Kluwer business



Federal Estate Tax - History

- Federal wealth transfer taxes date to 1797
 - Historically imposed to fund wars
- NC estate tax law has followed federal law changes
- Federal estate tax laws have changed yearly since 2001

2001 - Federal Estate Tax

- ❑ Exemption: \$675,000
- ❑ Top Rate: 55%
- ❑ Property received basis stepped-up to FMV
- ❑ Federal estate tax shared revenue with States with 100% credit for State estate tax
 - Estates paid state estate tax then received fully offsetting federal credit
 - All 50 States and DC imposed State estate tax

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

□ EGTRRA Phased Out Estate Tax

- During 2001-2009, federal estate tax phased out
- For 2010, federal estate tax repealed
- For 2011, federal estate tax returns to 2001 rates

□ EGTRRA Phased Out Revenue Sharing

- For 2002-2004, credit phased out
- For 2005-2009, 100% deduction for State estate tax where estate receives federal deduction that partially offsets State estate tax

2010 – No Federal Estate Tax

- ❑ No compromise reached before 1/1/10
- ❑ Federal estate tax allowed to lapse for 1 year
 - EGTRRA applied estate tax in 2011
- ❑ Estate tax would later be retroactively applied on an elective basis

Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

□ 2010 Tax Relief Act

- Imposes federal estate tax in 2011 and 2012
 - 100% deduction for State estate tax applies
 - Exemption: \$5 million with portability between spouses
 - Top Rate: 35%
 - Property received basis stepped-up to FMV
 - Estates could elect to apply the estate tax under EGTRRA or the estate tax under 2010 Tax Relief Act
- For 2013, federal estate tax returns to 2001 rates



NC Estate Tax – Base and Rate

- When is a NC Estate Tax imposed?
 - For deaths in 2010, no estate tax
 - For deaths in 2011-2012, estates over \$5 million (NC only State with full \$5 million exemption)
 - For deaths in 2013, estates over \$1 million
- What is the tax rate?
 - Graduated rates from 0.8% to 16%
 - 16% applies to estates over \$10 million

Summary and Uncertain Future of Federal Estate Tax

	2010	2011-2012	2013 and later (same as 2001)
Federal Exemption	N/A – No Tax	\$5 million	\$1 million ((\$675,000 in 2001 increased by Taxpayer Relief Act of 1997))
Top Federal Rate	N/A – No Tax	35%	55%
Portability of Exemption between Spouses	N/A – No Tax	Yes	No
Basis of Property Received	Modified Carryover Basis	Stepped-Up Basis	Stepped-Up Basis
State Estate Tax Credit or Deduction	N/A – No Tax	100% Deduction	100% Credit
NC Estate Tax	N/A – No Tax	Yes	Yes