

# Nebraska's Inheritance Tax

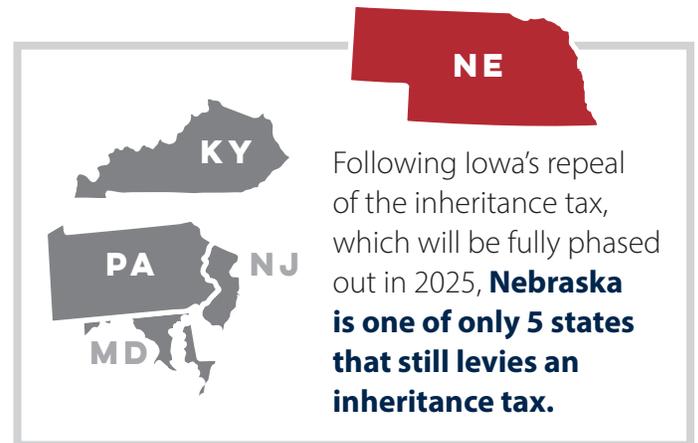
## THE PROBLEM

- Nebraska's inheritance tax is outdated and was adopted more than 120 years ago.
- Nebraska is 1 of only 5 states to still levy this tax—and the only state west of the Mississippi River.
- Nebraska is the only state to use inheritance tax as a local revenue source and has the nation's highest tax rate at 18%.
- The inheritance tax is inequitable. Higher tax burdens can be imposed depending on the family structure or relationship of a decedent and heir.
- Inherited property worth just over \$10,000 can become subject to the tax.
- County collections fluctuate and are impossible to forecast. Average collections are 3.6% of total county receipts while many counties will collect less than 1% in some years.

### What's the difference between estate and inheritance taxes?

**ESTATE TAXES** are levied on the net value of an estate before distribution to heirs. Nebraska eliminated the estate tax in 2007.

**INHERITANCE TAXES** are determined by the *relationship* to the decedent and paid for by the heir. In Nebraska, all cases must go through probate court, and the tax is paid to the county where the deceased owned real property.



## TIMELINE OF LEGISLATION

- |      |   |
|------|---|
| 1901 | <ul style="list-style-type: none"> <li>■ Law created</li> <li>■ All money went to county roads</li> <li>■ No substantial exemption for immediate relatives</li> </ul>           |
| 1982 | <ul style="list-style-type: none"> <li>■ Exempted spouses</li> <li>■ Allowed counties to spend proceeds without restrictions</li> </ul>   |
| 2007 | <ul style="list-style-type: none"> <li>■ Increased tax rates</li> <li>■ Consolidated brackets</li> <li>■ Intent was to be revenue neutral, but collections increased</li> </ul> |

## REFORM OPTIONS

1. Repeal or phase out
2. Reduce top rate
3. Increase exemption
4. Consolidate brackets
5. Statewide reporting requirement
6. Exempt young heirs
7. Remove probate

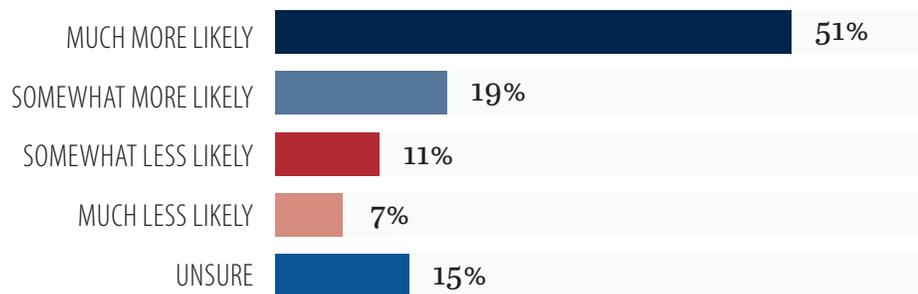
**78%** of Nebraska voters support repealing the county inheritance tax, including:

**86%**  
of Republicans

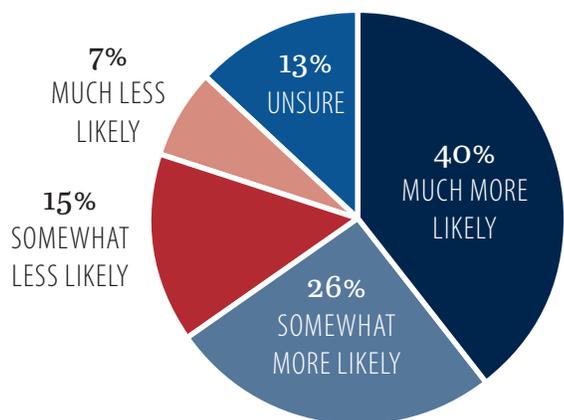
**64%**  
of Democrats

**78%**  
of independents

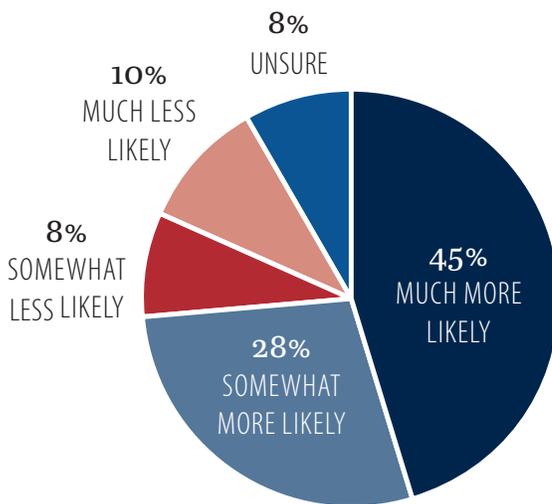
**The more respondents learned about the county inheritance tax, the more likely they were to support its repeal.**



When voters were read a description of how the county inheritance tax worked (that spouses are exempt and the different tax rates and exemption levels), 81% of Republicans, 55% of Democrats, and 74% of independents still said this made them more likely to support repealing the tax



**When learning that the inheritance tax is only levied by county governments, 66% percent of voters said they were more likely to support repealing the tax.**



**73% of voters said they were more likely to support repealing the inheritance tax if it was eliminated gradually over 5 years.**

**70%** of respondents agreed that with counties in Nebraska receiving a historic amount of federal money for pandemic relief, now is a good time to end the counties' dependence on inheritance taxes.

END INHERITANCE TAX DEPENDENCE	
STRONGLY SUPPORT	48%
SOMEWHAT SUPPORT	22%
SOMEWHAT OPPOSE	11%
STRONGLY OPPOSE	9%
UNSURE	10%