

ELIMINATE THE DEATH TAX

Preston Brashers, Research Fellow



TOPLINE: Congress and state lawmakers should eliminate the [death tax](#) (including estate taxes, inheritance taxes, and gift taxes).

BACKGROUND: The federal government 16 state governments, and Washington, D.C. tax the assets of individuals who die or the heirs themselves ([Tax Foundation](#) data). The first [\\$15 million](#) of assets are exempt from the federal estate tax, but above that, most wealth is taxed at a [40%](#) rate.

Most state death taxes exempt considerably less than the federal estate tax. Three states [allow](#) exemptions of \$1,000 or less from their inheritance taxes. Maryland is the only state that imposes both an estate tax (16%) and an inheritance tax (10%). Twelve states impose only an estate tax, with the highest rates in [Washington](#) (20% currently but 35% for deaths between July 1, 2025, and June 30, 2026) and Hawaii (20%). The median state with an estate tax has a top tax rate of 16%. The four states that impose only inheritance taxes all have top rates between 15% and 16%.

The Death Tax Kills Family Businesses and Opportunity:

- Death taxes devastate asset-rich but cash-poor family farms and businesses.
- Death taxes discourage capital formation and building intergenerational wealth.
- State death taxes encourage wealthy people to move to other states.

Action Items (Congress and States):

- **Eliminate or at least reduce all forms of death taxes.**
- As a death tax repeal “pay-for”, **Congress should consider reforming capital gains to include carryover in basis at death** above a given threshold (instead of a step-up in basis).

How It Would Make Life More Affordable:

- Eliminating death taxes would encourage more entrepreneurship and lead to more robust competition from family businesses that remain in the family.
- Death taxes divert [millions](#) of hours of labor away from the productive economy (or family and other pursuits) and toward compliance and estate-planning strategies.

Death Tax States Are Less Affordable:

- Twelve of the 17 states with death taxes rank among the 15 highest cost-of-living states (based on [MERIC](#) data).

Related Legislation: Death Tax Repeal Act ([S. 587](#), [H.R. 1301](#)).

BOTTOMLINE: The death tax is salt in the wounds of grieving families. The minuscule share of revenue collected from death taxes isn't worth the cost.