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## 2007 Legislature Repeals Estate Tax and Reduces Inheritance Tax

J. David Aiken

*University of Nebraska-Lincoln*, [daiken@unl.edu](mailto:daiken@unl.edu)

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# CORNHUSKER ECONOMICS

## 2007 Legislature Repeals Estate Tax and Reduces Inheritance Tax

Agricultural and business groups have for several years sought the repeal of state and federal estate taxes. The 2007 Nebraska Legislature repealed the Nebraska estate tax altogether, retroactive to January 1, 2007, and reduced inheritance taxes for close relatives. This newsletter explains these changes.

**Nebraska estate tax changes.** Prior to enactment of LB367, Nebraska levied a graduated estate tax, beginning at 5.6 percent on estates of less than \$100,000 and increasing to 16.8 percent on estates over \$9 million. Surviving spouses paid no Nebraska estate tax. With the recent enactment of LB367, the Nebraska estate tax has been **repealed for the estates of all decedents dying on or after January 1, 2007**. The Nebraska Department of Revenue will return any filings and remittances for estates that have filed returns for decedents dying on or after January 1, 2007. The Nebraska estate tax remains in effect for decedents dying before January 1, 2007. The filing date remains twelve months from the date of death for these estates. Nebraska estate tax receipts were deposited in the state general fund. Repealing the estate tax will reduce state revenues by an estimated \$25 million per year.

**Nebraska inheritance tax changes.** The Nebraska inheritance tax is essentially a tax on property inherited in Nebraska. The inheritance tax varies, depending on whether the recipient is a close relative, a distant relative, or a non-relative. Surviving spouses do not pay a Nebraska inheritance tax. All inheritance taxes are credited to the county general fund or to any other county fund selected by the county board. The current Nebraska inheritance taxes are summarized in Table 1.

Market Report	Yr Ago	4 Wks Ago	7/6/07
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight . . . . .	\$83.22	\$90.89	\$88.34
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb . . . . .	144.05	122.36	132.80
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb . . . . .	121.28	123.95	111.12
Choice Boxed Beef, 600-750 lb. Carcass . . . . .	153.43	152.72	139.87
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	69.05	70.34	67.86
Feeder Pigs, National Direct 50 lbs, FOB . . . . .	50.73	59.00	47.57
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean . . . . .	77.30	73.38	71.84
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct . . . . .	*	101.75	*
National Carcass Lamb Cutout, FOB . . . . .	230.26	254.91	258.21
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu . . . . .	4.67	5.08	5.37
Corn, No. 2, Yellow Omaha, bu . . . . .	2.20	3.93	3.28
Soybeans, No. 1, Yellow Omaha, bu . . . . .	5.66	7.70	7.89
Grain Sorghum, No. 2, Yellow Columbus, cwt . . . . .	3.41	6.54	5.39
Oats, No. 2, Heavy Minneapolis, MN , bu . . . . .	2.24	3.03	2.76
<b><u>Hay</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton . . . . .	135.00	136.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton . . . . .	87.50	*	92.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton . . . . .	82.50	*	*
* No market.			

**Table 1. Current Nebraska Inheritance Taxes**

<b>Relationship</b>	<b>Exemption</b>	<b>Tax Rate</b>
<b>Surviving Spouse</b>	<b>100%</b>	<b>0%</b>
<b>Near Relatives (children, parents, grandparents, siblings or their surviving spouses)</b>	<b>\$10,000</b>	<b>1% on excess of \$10,000</b>
<b>Distant Relatives (all other relatives or their surviving spouses)</b>	<b>\$2,000</b>	<b>6% of \$2,000-\$60,000 9% on excess of \$60,000</b>
<b>All Other Inheritances</b>	<b>\$500</b>	<b>6% of \$501-\$5,000 9% of \$5,001-\$10,000 12% of \$10,001-\$20,000 15% of \$20,001-\$50,000 18% on excess of \$50,000</b>

Under LB502 the amount of tax-free inheritances is increased for near relatives, distant relatives and non-relatives. In an effort to minimize the inheritance tax revenue loss to counties, LB502 increases the inheritance tax rate on distant relatives and non-relatives (Table 2). The LB502 inheritance tax provisions will go into effect January 1, 2008. These provisions are not retroactive, unlike the LB367 estate tax changes.

If you have an estate plan, you might contact your professional advisor regarding how the Nebraska inheritance tax and estate tax changes might affect your estate plan. If you have any questions whatsoever

regarding estate taxes, inheritance taxes, probate or estate planning, consult an attorney and/or tax advisor.

J. David Aiken, (402) 472-1848  
 Professor, Water & Agricultural Law Specialist  
 Department of Agricultural Economics  
 University of Nebraska–Lincoln  
[daiken@unl.edu](mailto:daiken@unl.edu)

**Table 2. 2008 Nebraska Inheritance Taxes**

<b>Relationship</b>	<b>Exemption</b>	<b>Tax Rate</b>
<b>Surviving Spouse</b>	<b>100%</b>	<b>0%</b>
<b>Near Relatives</b>	<b>\$40,000</b>	<b>1% on excess of \$40,000</b>
<b>Distant Relatives</b>	<b>\$15,000</b>	<b>13% on excess of \$15,000</b>
<b>All Other Inheritances</b>	<b>\$10,000</b>	<b>18% on excess of \$10,000</b>