




Share this email:   THIS IS JUST THE BEGINNING  
OF A WHOLE NEW ADVENTURE.

LET US BE YOUR TOUR GUIDE.

EXCLUSIVELY FOR OUR MEMBERS AGES 55 AND BETTER.

## Making Sense of Estate and Inheritance Taxes

They say the only certain things in life are death and taxes, but it's still a bit of a shock to realize those two things can actually happen at the same time! You might have heard people talk about "death taxes," which sounds a little intense. In reality, it's just a way to describe taxes that come into play after someone passes away.

The rules can change depending on where you live, which makes it feel a bit like a puzzle. However, once you understand the simple difference between the two main types, the rest becomes much easier to manage. Whether you're looking at a large inheritance or just a few family keepsakes, knowing how these work is a great first step in looking out for your family's future.

### The Estate Tax: A Tax on the Deceased's Assets

The estate tax is basically a tax on the value of the deceased person's entire estate. Think of it as a final tax bill for everything that person owned.

The key thing to remember is that this tax is paid by the estate itself, and the money is paid before any assets or funds are handed out to the people who inherit them (the beneficiaries).

### Federal Estate Tax

The U.S. federal government does charge an estate tax, but it has a very high exemption rate. As of 2025, if the estate is worth less than \$13.99 million, the federal government won't charge any estate taxes on it. Because this limit is so high, most estates don't have to worry about the federal estate tax. These rates have generally only increased, but future rates will depend on legislation.

### State Estate Taxes

Here's where it can get complicated. A number of states have their own estate taxes, and their exemption rates can be much lower than the federal limit. This means an estate that easily avoids the federal tax might still be on the hook for a state estate tax.

### The Inheritance Tax: A Tax on the Beneficiary's Gift

The inheritance tax works completely differently. Instead of taxing the deceased's estate, it's a tax charged on the value of the assets received by the individual beneficiary.

The key takeaway here is that this tax is paid directly by the people who inherit the money or assets, not by the estate.

### The Federal Stance on Inheritance Tax

The good news is, the federal government doesn't charge an inheritance tax at all. The reason for this is that the federal tax system uses the estate tax—that is, taxing the total value of the wealth before it's given away. The government focuses its effort on that one big account rather than having to track and tax every single person who inherits something.

different. That job is generally left up to the states-if they choose to do it.

### **State Inheritance Taxes**

Just like with the state estate tax, only a handful of states charge an inheritance tax. The actual tax rates generally depend on the relationship between the person inheriting the money and the person who passed away. Close relatives like spouses or children are often exempt, but distant relatives or unrelated beneficiaries may have to pay a higher tax rate on what they receive.

### **What Happens in Real Life: When Both Taxes Apply**

Understanding the tax consequences of inheritance means knowing when these two taxes might cross paths based on where the person lived.

### **The Double Tax Scenario**

In places that have both a state estate tax and a state inheritance tax, like Maryland, you could face a double hit. The estate pays the state estate tax first, and then the individual heir may have to pay the state inheritance tax on the portion they receive.

### **Where You Lived Matters Most**

The most important thing for state taxes is the deceased person's official legal residence, or domicile. The laws of that state decide which state taxes (if any) are applied. Keep in mind, though, that if the person owned property in another state, that state's laws may also apply.

### **Tax-Free Family Members**

Remember, even in the states that have an inheritance tax, certain close relatives (like a surviving spouse) are often called tax-free beneficiaries. This exemption helps make sure that the main assets going to the closest family aren't overly taxed.

---

### **What You Can Do Now to Prepare for the Future**

Dealing with these complicated topics is hard, especially when you're grieving. Being prepared and planning ahead can save your loved ones a lot of stress later.

### **Get Your Own Estate in Order**

The most important step is setting up a clear estate plan. This plan-which includes a will and other documents-should be created by every adult over 18, no matter how much money they have right now. A good plan makes the legal and financial process much simpler for the people who will handle your affairs later.

### **Seek Professional Guidance**

Because state and federal tax codes are always changing, getting professional help is key. Whether you're planning your own estate or dealing with the affairs of a loved one, you should talk to a trustworthy financial advisor or an estate attorney. They can help you navigate the constantly changing tax codes and make sure everything is done legally and efficiently during a difficult time.

### **Clarity Provides Comfort**

While taxes after death are complicated, taking proactive steps now to understand the difference between estate and inheritance tax will help protect your legacy-and give your loved ones a clearer path when they need it most.

# Estate Tax vs. Inheritance Tax: What's the difference?



Whether it's years down the road or you're already living your best life in retirement, our Endless Summer program is perfect for members ages 55 and better.

[Visit Endless Summer](#)

Beach Municipal FCU is not responsible for decisions made based on this content. This information is for reference only.



[beachmunicipal.org](http://beachmunicipal.org) | [757.333.7787](tel:757.333.7787)

As always, we thank you for your membership and the opportunity to serve you!

Download the Beach Municipal FCU Mobile App.



Apple and the Apple logo are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc. Google Play is a trademark of Google Inc.

Follow Us: [f](#) [X](#) [in](#) [v](#) [i](#)

Copyright © [--CurrentYear--] Beach Municipal FCU. All Rights Reserved. This email was sent to you by Beach Municipal FCU located at 4164 Virginia Beach Blvd, Virginia Beach, VA 23452. Membership eligibility is required. For full membership disclosures and additional information please visit a branch location. Federally Insured by NCUA.

If you no longer wish to receive emails from us please go [here](#).