

# Pennsylvania Inheritance Tax

Quick reference: rates, exemptions, deadlines, and the 5% discount

## How It Works

Pennsylvania imposes an inheritance tax on most assets transferred at death. The tax rate depends on the relationship between the decedent and the beneficiary — not the size of the estate. This is different from the federal estate tax, which applies only to estates exceeding \$13.61 million (2024).

## Tax Rates by Relationship

Beneficiary	Rate	Examples
Surviving spouse	0%	Exempt regardless of amount
Children / lineal descendants	4.5%	Children, grandchildren, parents
Siblings	12%	Brothers and sisters
All others	15%	Nieces, nephews, friends, charities (some exempt)

## Key Exemptions

- Life insurance proceeds paid to a named beneficiary (not the estate)
- Certain farmland and agricultural property
- Property passing to a surviving spouse
- Qualified family-owned business interests (limited exemption)
- Charitable bequests to qualified 501(c)(3) organizations

## Important Deadlines

**9 months after death:** Inheritance tax return (REV-1500) is due. Interest accrues on unpaid tax after this date.

**3 months after death:** Pay within 3 months to receive a **5% discount** on the tax owed. For a \$500,000 estate passing to children at 4.5%, this saves \$1,125.

## Common Misconceptions

- "**A trust avoids inheritance tax.**" False. Assets in a revocable trust are still subject to PA inheritance tax.
- "**Joint accounts avoid tax.**" Partially true. The decedent's contribution to jointly held accounts is taxable.
- "**Small estates are exempt.**" False. There is no minimum threshold for PA inheritance tax.