

# Pennsylvania Inheritance Tax

Quick reference guide — rates, exemptions, deadlines & discounts

Pennsylvania is one of only six states that imposes an inheritance tax. Unlike the federal estate tax (which only applies to estates over \$13.61 million in 2024), Pennsylvania's inheritance tax applies to most estates regardless of size. The tax rate depends on the beneficiary's relationship to the decedent.

## Tax Rates by Relationship

Beneficiary	Rate	Examples
Surviving Spouse	0%	Husband, wife
Lineal Descendants & Ascendants	4.5%	Children, grandchildren, parents, grandparents (includes adopted)
Siblings	12%	Brothers, sisters (half or whole)
All Others	15%	Nieces, nephews, friends, unmarried partners, cousins
Charities & Government	0%	501(c)(3) organizations, government entities

## Key Exemptions (Not Taxed)

- Life insurance proceeds paid to a named beneficiary (not the estate)
- Jointly owned property between spouses
- Property passing to a surviving spouse
- Certain farmland (if kept in agricultural use for 7 years)
- The first \$3,500 of property transferred to a child age 21 or younger
- Qualified family-owned business interests (up to \$500,000 exemption under Act 85 of 2012)

## Deadlines & the 5% Discount

The inheritance tax return (REV-1500 for residents, REV-1510 for non-residents) is due **9 months after the date of death**. However, Pennsylvania offers a significant incentive for early payment:

Timing	Effect
Paid within 3 months of death	<b>5% DISCOUNT on the total tax due</b>
Paid within 9 months of death	No discount, no penalty — standard deadline

Paid after 9 months	Interest accrues at 0.75% per month from 9-month mark
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## Example: How the Discount Works

A decedent leaves a \$400,000 estate to two adult children. The inheritance tax at 4.5% would be \$18,000. If paid within 3 months, the executor saves 5% — a discount of \$900, reducing the total tax to \$17,100. This may seem modest, but on larger estates the savings can be substantial.

## What Assets Are Subject to Tax?

Pennsylvania's inheritance tax applies broadly. Taxable assets include:

- Real estate in Pennsylvania
- Bank accounts, CDs, and money market accounts
- Stocks, bonds, and mutual funds
- Retirement accounts (IRAs, 401(k)s) — taxable to the beneficiary
- Vehicles, boats, and personal property
- Business interests and closely held stock
- Transfers made within one year of death (with some exceptions)
- Revocable trust assets

## Filing the Return

The inheritance tax return is filed with the Pennsylvania Department of Revenue and a copy with the Register of Wills in the decedent's county. The Personal Representative is responsible for filing and paying the tax from estate funds. An attorney can help ensure all deductions are properly claimed — including debts, funeral expenses, and administration costs — to minimize the tax owed.

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