

Estate Tax Rules for 2025

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Lifetime exclusion/exemptions

The federal estate tax exemption for 2025 is \$13.99 million per individual. This means that an individual can transfer \$13.99 million of wealth, either during lifetime, at death, or a combination thereof, without paying any federal estate or gift tax.



Estate tax rate

In 2025, the U.S. federal estate tax is a progressive tax rate that generally is applied at 40%.



Allowed expenses

A gross estate may be reduced by deductions, including funeral expenses paid by the estate, debts and mortgages, estate administration expenses and investment losses. Certain property passing to surviving spouses and qualified charities can also be eligible for deductions.



Due dates

Generally, the estate tax return is due nine months from the date of death. An automatic six-month extension is available but requires filing with the IRS.



Option to defer payment

Under certain conditions, an executor may elect to pay the tax in installments over a period of up to 14 years although this deferral generates an interest charge.



Interest rate for deferral of tax payments

Applied as a tiered rate with both a fixed 2% charge and a floating component, currently capping out at 3.15%.

Pennsylvania Inheritance Tax

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Inheritance tax rate

Depends on the relationship of the heir to the decedent:

- 0% on transfers to a surviving spouse or to a parent from a child aged 21 or younger;
- 4.5% on transfers to direct descendants and lineal heirs;
- 12% on transfers to siblings;
- 15% on transfers to other heirs.



Exemptions

Transfers to either charitable organization, exempt institutions or government entities, are exempt from tax.



Allowed expenses

Similar to the federal estate tax, various deductions are allowed from the gross estate.



Due dates

Inheritance tax returns must be filed within nine months of the decedent's death. A 5% discount is permitted if inheritance tax is paid within three months of the decedent's death.



Option to defer payment

If an estate lacks sufficient liquidity to pay the inheritance tax, the Pennsylvania Department of Revenue may permit a payment plan.



Interest rate for deferral of tax payments

The interest rate for late payments is 6% per year.