Historical Tax Law Changes
Estate Tax

Laws 1937, Chapter 27 repealed the Arizona Inheritance Tax and authorized the Arizona Estate Tax in its place. The Estate Tax was levied on the net estate of every decedent at the following rates:

2%	On Amounts To	$25,000
4	Thereafter On Amounts To	50,000
6	" "	75,000
8	" "	100,000
9	" "	250,000
10	" "	500,000
11	" "	750,000
12	" "	1,000,000
13	" "	1,500,000
14	" "	2,000,000
15	" "	2,500,000
16	" "	3,000,000
17	" "	4,000,000
18	" "	4,500,000
19	" "	5,000,000
20	For Amounts Over	5,000,000

Under the provisions of this law, the State Treasurer served as the Estate Tax Commissioner and was responsible for collection of the tax. The tax was due and payable at the time of the decedent's death. If the tax was paid within six months from the date of death, a discount of 5% could be claimed. If the tax was not paid within 1 year from the date of death, the taxpayer was required to pay interest on the tax due. Collections from the tax were deposited in the state's General Fund after deducting the expenses of administering the tax. (Effective From and After July 1, 1937)

Laws of 1939, Chapter 10 amended the 1937 statute, significantly lowering Estate Tax rates. The rates established in 1939 are shown in the table below:

.8%	On Amounts To	$50,000
1.6%	Thereafter On Amounts To	100,000
2.4%	" "	200,000
3.2%	" "	400,000
4.0%	" "	600,000
4.8%	" "	800,000
5.6%	" "	1,000,000
6.4%	" "	1,500,000
7.2%	" "	2,000,000
8.0%	" "	2,500,000
8.8%	" "	3,000,000
9.6%	" "	3,500,000
10.4%	" "	4,000,000
11.2%	" "	5,000,000
12.0%	" "	6,000,000
12.8%	" "	7,000,000
13.6%	" "	8,000,000
14.4%	" "	9,000,000
15.2%	" "	10,000,000
16.0%	For Amounts Greater Than	10,000,000

This law also repealed the provision that allowed taxpayers to claim a 5% discount when the Estate Tax was paid within six months of the decedent's death. (Effective June 12, 1939)

Laws 1949, Chapter 16 provided that the total Estate Tax on property subject to the Federal Estate Tax should equal the maximum credit allowed by the federal tax laws for Estate Taxes paid to the states. This provision only applied to an estate producing a greater amount of tax revenue than would result from applying the rates levied by Laws 1939, Chapter 10. In addition, the law also extended the time within which the Estate Tax could be paid without being subject to interest. Prior to passage of this law, taxpayers were required to pay interest if the tax was not paid within 1 year from the date of death. Under this law, the amount due would not be subject to interest until 15 months after the date of death. The law also established an Estate Tax Commissioner, separate from the State Treasurer, who is responsible for administration of the tax. (Effective June 18, 1949)

Laws 1953, Chapter 25 changed the provision for taxing estates subject to the Federal Estate Tax Law. Prior to the enactment of this law, the tax on estates subject to the federal law equaled the maximum credit allowed by the Federal Estate Tax Laws for state estate taxes paid. The change provided that the tax on estates subject to the federal law equaled Arizona's share of the federal tax credit only. To calculate Arizona's share, the federal tax credit was reduced by an amount equal to estate, inheritance, succession and transfer taxes paid to other states. This provision applied if Arizona's share of the federal credit was greater than the tax liability that results from applying the Estate Tax rates levied in 1939. (Effective for Estates of Decedents Dying on and After July 1, 1953.)

Laws 1971, Chapter 199 changed the due date for payment of the Estate Tax from fifteen to nine months after the decedent's death. (Effective May 21, 1971)

Laws 1973, Chapter 123 transferred the responsibility for administering the Estate Tax from the Estate Tax Commissioner to the Department of Revenue. (Effective July 1, 1974)

Laws 1979, Chapter 212 repealed the Estate Tax Act, imposed a new Estate Tax and levied a tax on generation-skipping transfers of property. Under the new laws, the Arizona Estate Tax was based entirely on the maximum tax credit allowed by the federal tax laws for Estate Taxes paid to the states. Separate methods were established in determining Arizona's share of this credit for resident and non-resident taxpayers. The payment date of the Estate Tax also conformed to the federal due date. The provisions established by this law are currently in effect.

(Effective for Decedents Dying After December 31, 1979 and for Generation Skipping Transfers Occurring After December 31, 1979.)

Laws 1980, Chapter 220 changed the interest rate imposed on delinquent tax payments to 12% per year. (Effective July 31, 1980)

Laws 1982, Chapter 2 changed the Arizona Estate Tax Laws to conform with certain changes in the Federal Estate Tax Code passed in the U.S. Economic Recovery Tax Act of 1981. This act will gradually reduce the maximum federal tax credit for Estate Taxes paid to the states and effectively reduce Arizona's tax base. (Effective February 19, 1982)

Laws 1983, Chapter 4 changed the interest rate on delinquent tax payments to equal the rate of interest established by Section 6621 of the Internal Revenue Code, compounded annually. (Effective February 11, 1983)

Laws 1983, Chapter 247 changed the Arizona Estate Tax laws to conform with certain changes in the Federal Estate Tax Code passed during 1982. The changes to the Federal Estate Tax Code must be adopted or rejected annually since Arizona's Estate Tax is based on the federal credit for Estate Taxes paid to the states. (Effective April 25, 1983)

Laws 1987, Chapter 178 allowed the personal representative of certain qualified closely held businesses who elects to make Federal Estate Tax payments over $50,000 in installments to pay all or part of the state Estate Tax at the same time as the federal tax in the same number of equal installments. Interest accrues to the state on any unpaid balance in the same manner and time as prescribed by federal tax law. (Effective August 18, 1987)

Laws 1990, 3rd Special Session, Chapter 9 clarified the tax credit an estate or trust may take for taxes paid to another state or country. (Effective September 27, 1990)

Laws 1991, Chapter 146 adopted the 1990 changes to the U.S. Internal Revenue Code for Arizona Income and Estate Tax purposes. (Retroactive to Taxable Years Beginning From and After December 31, 1990)

Laws 1992, Chapter 18 deleted the definitions of “Department” and of “Internal Revenue Code” from the definitions listed in statute relating to Estate and Generation Skipping Taxes. (Retroactive to Taxable Years Beginning From and After December 31, 1991)

Laws 2000, Chapter 265 enabled the Department of Revenue, for good cause, to grant an extension of up to 6 months for filing an Arizona estate tax return. The fiscal impact of this legislation is unknown.

Laws 2006, Chapter 262 permanently repealed the Arizona estate tax. (Effective retroactively from January 1, 2006)