

CHAPTER 3D
ESTATE TAX

The Economic Growth and Tax Relief Reconciliation Act of 2001 eliminates the federal estate tax over a nine-year period beginning in 2002. Under federal law, an effective exclusion of \$1 million exists for deaths occurring in 2002 and 2003; the effective exclusion rises to \$1.5 million in 2004 and 2005; to \$2 million in 2006, 2007, and 2008; and to \$3.5 million in 2009. The estate tax is completely repealed in 2010, but reinstated in 2011 (at an unknown level).

3. REPEAL OF THE CALIFORNIA PICKUP TAX

The 2001 federal law also phases out the state pickup tax credit over a four-year period beginning in 2002. The credit is reduced by 25% in 2002, by 50% in 2003, by 75% in 2004, and is entirely eliminated in 2005 and beyond. The impact on California of the reduction in the pickup tax is significant. The Department of Finance estimates that revenue will decline by more than \$1 billion from what it would have been in fiscal year 2004-05, absent the changes in federal law.

4. ADMINISTRATION

The California estate tax is a self-assessed tax, administered by the State Controller's Office. The amount to be paid is equal to the maximum federal credit allowable, as calculated according to Federal Form 706. A check in this amount and a state return, along with a copy of Federal Form 706, must be sent to the Controller's Office within nine months after the death of the deceased.

5. CODE

Revenue and Taxation Code Sections 13301-14302 and Sections 16700-16950