GRB LAW Insight
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COMING TO TERMS WITH PENNSYLVANIA'S INHERITANCE TAX

If you are like many Pennsylvanians planning their estates, you have probably wondered how to avoid the Commonwealth's unique inheritance tax. You will be disappointed to find that as long as you reside in the keystone state at the time you "give up the ghost," your beneficiaries – no matter where they reside – will owe Pennsylvania a share of their inheritance. Understanding the inheritance tax serves the pragmatic Pennsylvanian well, whether they are planning their own estate or settling the estate of a family member.

WHAT IS THE INHERITANCE TAX?

Pennsylvania is one of only a few states that taxes inheritance upon a resident's death. The tax rate depends on the beneficiary's relationship to the decedent — 0% for spouses, minor children inheriting from parents, and parents inheriting from minor children; 4.5% for parents, children, and grandchildren ("lineal heirs"); 12% for siblings; and 15% for all others ("collateral heirs").[1] The tax applies to real estate located in Pennsylvania and all other assets owned by the decedent at the time of their death. Regardless of the size of the estate, every dollar is subject to Pennsylvania's inheritance tax.

HOW IS THE INHERITANCE TAX PAID?

Consider the following example:

> *Mother and Daughter jointly own a $100,000 savings account. Mother pre-deceases Daughter. Daughter is the sole surviving account holder.*

Although Daughter now owns the entire $100,000 account outright, she owes an inheritance tax on one half of the account value. The applicable tax rate is 4.5%, as Daughter is a lineal heir to Mother. Daughter owes $2,250 in inheritance tax.[2]

Without directions left by a decedent in their last will and testament, the source of inheritance tax payment will depend on the nature of the asset inherited. Tax owed for property owned solely by the decedent at their death (also known as "probate" property – without joint-owners or designated beneficiaries) will be paid from available funds in the estate.[3] Tax owed for non-probate property (passing to surviving joint owners or designated beneficiaries) will be paid by the designated beneficiary.[4]

In the example above, without directions otherwise left by Mother, Daughter will personally owe inheritance tax for the inherited portion of the savings account, as it is a non-probate transfer. Ideally, Daughter will access these funds in a timely manner to pay the $2,250 owed.[5] Similarly, such savings

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accounts are often the most immediately available funds for paying expenses such as the funeral bill, potential probate expenses, and legal fees. Understanding this can be helpful in more complex estates —containing real estate and investment accounts — where the actual value of certain inherited assets is not immediately available.[6]

POTENTIAL LEGISLATIVE CHANGES TO THE INHERITANCE TAX

At the time of writing this article, the inheritance tax may be subject to change in the form of a minimum threshold. A bill proceeding before the Pennsylvania Senate proposes an exemption that would shield the first $100,000 of assets in any estate from the notorious tax.[7] This change could mean savings in the amount of $4,500 to $15,000, depending on the amount of inheritance and relation of beneficiaries in a given case.

Regardless of its ultimate fate, Pennsylvania's inheritance tax is a time-sensitive and complex aspect of settling one's final affairs. To ensure inherited assets are accounted for and appropriate deductions are utilized, it is prudent to consult with a Pennsylvania estate attorney following the death of a loved one.

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[1] 72 P.S. PA St. Sec. 9116.

[2] Note that a parent is also a lineal heir to their child. Thus, had Daughter predeceased Mother, Mother would technically have the same inheritance tax consequence.

[3] 72 P.S. Sec. 9144(a).

[4] 72 P.S. Sec. 9144(f).

[5] If paid within three months of death, there is a 5% discount on the balance owed. The tax is ultimately due just nine months from the date of death, and interest accrues each day the tax is delinquent. See the Department of Revenue's online interest and penalty calculator at https://www.pa.gov/services/revenue/calculate-tax-penalty-and-interest-tool.

[6] Consider how long it may take to sell a house or have IRA paperwork completed and processed.

[7] Ian Karbal, *Pa. senators mull inheritance tax cut, deductions for organ donors*, PA. CAPITAL-STAR, Mar. 18,2026,https://penncapital-star.com/government-politics/pa-senators-mull-inheritance-tax-cut-deductions-for-organ-donors/.

About the Author:

ERIC J . BEINHART, ESQUIRE

With a background focused on estate and guardianship related matters, Eric is committed to assisting clients prepare a customized estate plan, including wills, trusts, powers of attorney and advanced healthcare directives, along with other necessary initiatives. He is also experienced in helping clients navigate the challenges of taxes, the probate process and arranging specialized care for loved ones.

With an early interest in estate and elder care, Eric tailored his education toward assisting the older community. After receiving his B.S. in Health Administration and Policy (with a concentration in Senior Housing and Assisted Living) from George Mason University, his dedication continued throughout his time in law school. While earning his J.D. from The College of William & Mary, he served as the Senior Articles Editor of the school's Journal of Race, Gender, and Social Justice, assisted with the Lewis B. Puller, Jr. Veterans Benefits Clinic and completed a semester-long internship with AARP's Legal Counsel for the Elderly based in Washington, DC.

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OAKMONT OFFICE
647 Allegheny Avenue
Oakmont, PA 15139
P: (412) 828-5040
F: (412) 828-5022

Eric J. Beinhart, Esquire
ebeinhart@grblaw.com

www.grblaw.com