

1 AN ACT relating to inheritance tax exemptions.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 140.080 is amended to read as follows:

4 (1) The following exemptions chargeable against the lowest bracket or brackets of
5 inheritable interests shall be free from any tax under the preceding provisions of
6 this chapter:

7 (a) Surviving spouse, total inheritable interest. Effective as to decedents dying
8 after August 1, 1985, notwithstanding anything in this chapter to the contrary,
9 if the decedent's personal representative (or trustee or transferee, absent a
10 personal representative) shall so elect, the spouse's inheritable interest shall
11 include the entire value of any trust or life estate which is in a form that
12 qualifies for the federal estate tax marital deductions under section 2056(b)(5)
13 or 2056(b)(7) of the Internal Revenue Code of 1954, as amended through
14 December 31, 1984, regardless of whether or not the federal estate tax marital
15 deduction is elected by the decedent's personal representative. To be valid, the
16 election referred to in the sentence immediately preceding must be made in
17 the form prescribed by the Department of Revenue and must be filed on or
18 before the due date of the tax return (plus extensions) or with the first tax
19 return filed, whichever last occurs;

20 (b) Class A beneficiaries as defined in KRS 140.070, other than the surviving
21 spouse, of estates of decedents dying prior to July 1, 1995, as follows:

- 22 1. Infant child by blood or adoption, \$20,000;
- 23 2. Child by blood who has been declared mentally disabled by a court of
24 competent jurisdiction, \$20,000;
- 25 3. Child adopted during infancy who has been declared mentally disabled
26 by a court of competent jurisdiction, \$20,000; or a
- 27 4. Child adopted during adulthood who was reared by the decedent during

- 1 infancy and who has been declared mentally disabled by a court of
2 competent jurisdiction, \$20,000;
- 3 5. Parent, \$5,000;
- 4 6. Child by blood, \$5,000;
- 5 7. Stepchild, \$5,000;
- 6 8. Child adopted during infancy, \$5,000;
- 7 9. Child adopted during adulthood who was reared by the decedent during
8 infancy, \$5,000; or a
- 9 10. Grandchild who is the issue of a child by blood, the issue of a stepchild,
10 the issue of a child adopted during infancy or the issue of a child
11 adopted during adulthood who was reared by the decedent during
12 infancy, \$5,000;
- 13 (c) Class A beneficiaries as defined in KRS 140.070, other than the surviving
14 spouse, of estates of decedents dying on or after July 1, 1995, shall be as
15 follows:
- 16 1. For decedents dying between July 1, 1995, and June 30, 1996, the
17 greater of the exemption established pursuant to paragraph (1)(b) of this
18 section or one-fourth (1/4) of each beneficiary's inheritable interest;
- 19 2. For decedents dying between July 1, 1996, and June 30, 1997, the
20 greater of the exemption established pursuant to paragraph (1)(b) of this
21 section or one-half (1/2) of each beneficiary's inheritable interest;
- 22 3. For decedents dying between July 1, 1997, and June 30, 1998, the
23 greater of the exemption established pursuant to paragraph (1)(b) of this
24 section or three-fourths (3/4) of each beneficiary's inheritable interest;
25 and
- 26 4. For each decedent dying after June 30, 1998, each beneficiary's total
27 inheritable interest;

- 1 (d) All persons of Class B, under KRS 140.070, as follows:
- 2 1. For decedents dying prior to January 1, 2026, \$1,000; and
- 3 2. For decedents dying on or after January 1, 2026, each beneficiary's
- 4 total inheritable interest; and
- 5 (e) All persons of Class C, under KRS 140.070, \$500.
- 6 (2) If the decedent was not a resident of this state, the exemption shall be the same
- 7 proportion of the allowable exemption in the case of residents that the property
- 8 taxable by this state bears to the whole property transferred by the decedent.