Do you pay taxes on inheritance?

Key facts

- Federal law does not count an inheritance as taxable income to the person who receives it (Internal Revenue Service, Gifts & Inheritances FAQ, checked 2026-09-23).
- Inherited property usually gets a "stepped-up" basis equal to its fair market value on the date of death, so a later sale is taxed only on the gain after that (Internal Revenue Service, Publication 551, checked 2026-09-23).
- Only five states tax the person who receives money: Kentucky, Maryland, Nebraska, New Jersey and Pennsylvania (Tax Foundation, Estate and Inheritance Taxes by State, checked 2026-09-23).
- The federal estate tax applies only above $15,000,000 for deaths in 2026, and the estate pays it, not the heir (Internal Revenue Service, IRS releases tax inflation adjustments for tax year 2026, checked 2026-09-23).
- Withdrawals from an inherited traditional IRA or 401(k) are ordinary income when you take them, and most non-spouse beneficiaries must empty the account within 10 years (Internal Revenue Service, Publication 590-B, checked 2026-09-23).
- A sale of inherited property is always a long-term gain or loss for tax purposes, no matter how long you or the person who died owned it (Internal Revenue Service, Instructions for Form 8949, checked 2026-09-23).
- Receiving more than $100,000 from a nonresident alien relative's estate is not taxed by itself, but must be reported on Form 3520 (Internal Revenue Service, Instructions for Form 3520, checked 2026-09-23).

This guide is general information for the United States, not legal, tax, financial or medical advice.

Checklist: figuring out what you owe

1. Confirm what you inherited: cash, a house, an investment account, a retirement account, or a mix.
2. Get the fair market value of real estate or investments as of the date of death; this becomes your stepped-up basis.
3. Check whether a retirement account is traditional or Roth, and who the original owner was.
4. Find out where the person who died was legally domiciled at death.
5. If that state is Kentucky, Maryland, Nebraska, New Jersey or Pennsylvania, check your relationship class on that state's revenue department site.
6. Keep the date-of-death appraisal with your tax records if you plan to sell inherited property.
7. Note the 10-year deadline, or annual RMD requirement, for any retirement account (Internal Revenue Service, Publication 590-B, checked 2026-09-23).
8. Talk to a tax preparer about Form 3520 if the gift came from overseas and exceeds $100,000.
9. Ask the executor for a copy of any estate tax return filed.