

Inheritance Tax ...

INHERITANCE TAX - General Information Regarding Pennsylvania Resident Decedents

EXEMPT PROPERTY ~~ Property owned by husband and wife with right of survivorship is exempt from Inheritance Tax unless the joint ownership was created by the decedent within one year of the decedent's death.

Life insurance proceeds payable to a named beneficiary as well as to the decedent's estate ARE TAX EXEMPT.

TAXABLE PROPERTY ~~ All real property and all tangible personal property, including but not limited to cash, automobiles, furniture, antiques, jewelry, etc., located in Pennsylvania are taxable. All intangible property including stocks, bonds, bank accounts, loans receivable, etc., is taxable regardless of where it is located. Jointly-owned property, except between husband and wife, including but not limited to real estate, securities, bank accounts, etc., with right of survivorship, is taxable. Joint property is taxable even though the decedent's name was added as a matter of convenience.

As a general rule, if the joint tenancy was established more than a year before death, the decedent's fractional portion of joint property is subject to tax. The fractional portion is determined by dividing the value of the property by the number of joint tenants regardless of their contribution.

Half of the joint account is subject to tax. The funeral bill is an allowable debt. Tax is imposed at 4.5% for lineal heirs, and 5% discount is permitted since payment was made within 3 months of the date of death.

Example:

Decedent died on 07/07/00. The only asset was interest in a joint savings account held with son, with right of survivorship. Gross value of account, including interest to date of death was \$20,500. Account was opened on 03/06/94. Surviving son paid \$4,200 for father's burial after the funeral.

Gross appraised value of 1/2 interest in savings account as of 10/07/00 . . .	\$ 10,250.00
Minus the funeral bill allowed as deduction . . .	<u>\$ -4,200.00</u>
Clear value of estate for tax purposes:	\$ 6,050.00
Inheritance Tax due as of 10/07/00 from son	272.25
Less Discount of 5%	<u>\$ -13.61</u>
TOTAL	\$ 258.64

TAXABLE TRANSFERS ~~ If the decedent died after December 12, 1982, a transfer made within one (1) year of the date of death, if made without valuable and adequate consideration in money or money's worth at the time of the transfer, is taxable to the extent that the transfer exceeds \$3,000 per transferee during any calendar year. Property that was transferred with the decedent retaining a life interest is taxable.

Also included as transfers are accounts registered in the name of the decedent in trust for another person, but the \$3,000 exclusion is not applicable.

TRANSFERS TO SPOUSE FOR DATES OF DEATH ON OR AFTER JANUARY 1, 1995

~~ Transfers in trust for the sole use of the surviving spouse are not taxable in the current decedent's estate but are includable in the surviving spouse's estate when they die. This exclusion of the asset in the first decedent's estate may be bypassed, however, if the executor of the estate elects to include the trust in the first decedent's estate. This election must be made on a timely filed inheritance tax return.

CHILD TO PARENT TRANSFERS ~~ A transfer from a child twenty-one (21) years of age or younger to a natural parent, adoptive parent, or step-parent will be taxed at the zero rate. This applies to estates of decedents dying after June 30, 2000, and to inter vivos transfers made by decedents dying after June 30, 2000, regardless of the date of the transfer.

DEDUCTIONS ~~ Unsatisfied liabilities incurred by the decedent prior to his/her death are deductible against his/her taxable estate. In addition to debts incurred by the decedent or estate, the cost of administration, attorney fees, fiduciary fees, funeral and burial expenses including the cost of a burial lot, tombstone or grave marker and other related burial expenses are deductible.

The family exemption is a right given to specific individuals to retain or claim certain items or amounts of the decedent's property in accordance with Section 3121 of the Probate, Estates and Fiduciaries Code. For decedents dying after 01/31/95 the family exemption is \$3,500.

The family exemption may be claimed by a spouse of a decedent who died a resident of Pennsylvania. If there is no spouse, or if the spouse has forfeited his/her rights, then any child of the decedent who is a member of the same household as the decedent may claim the exemption. In the event there is no spouse or child, the exemption may be claimed by a parent or parents who are members of the same household as the decedent. The family exemption is allowable only against assets which pass by a will or by the Pennsylvania Intestate Laws.

DISCOUNT FOR EARLY PAYMENT OF TAX ~~ If the tax is paid within three months after the decedent's death, a discount of 5% of the tax paid is allowed.

PERSONS RESPONSIBLE FOR FILING RETURN ~~ The personal representative (executor or administrator) appointed by the Register of Will is responsible for filing the return. An individual who received property by right of survivorship or a transfer is responsible for filing a return if the property was not reported by the personal representative.

RATES FOR INHERITANCE TAX ~~ The rate of tax imposed on transfers to or for a surviving spouse are based on the date of death of the decedent and taxed as follows:

Date of death on or after 01/01/95	0% tax rate
Date of death after June 30, 1994 and before January 1, 1995	3% tax rate
Date of death before July 1, 1994	6% tax rate

The rate is **4.5%** on transfers to grandfather, grandmother, father, mother children, and lineal descendants. "Children" includes natural children whether or not they have been adopted by others, adopted children and stepchildren. "Lineal descendants" includes all children of the natural parents and their descendants, whether or not they have been adopted by others, adopted descendants and their descendants and step-descendants.

The rate is **12%** on transfers to siblings. The term "siblings" is defined as those having at least one parent in common with the decedent, related by blood or adoption.

The rate is **15%** to all other beneficiaries (except charitable organizations, exempt institutions and government entities which are exempt from tax).

PLACE FOR FILING ~~ The return must be filed in duplicate with the Register of Wills of the county in which the decedent resided.

TIME FOR FILING AND PAYMENT OF TAX ~~ The Inheritance Tax Return and tax liability is due within nine months after the decedent's death. Interest is charged on the amount of tax unpaid after nine months from the date of death.

EXTENSION FOR FILING RETURN ~~ Requests for an extension (not to exceed six months) for filing must be submitted within the nine-month filing period to the Bureau of Individual Taxes, Inheritance Tax Division, Dept. 280601, Harrisburg, PA 17128-0601. This extension will not relieve the estate of the interest which will accrue on any tax liability unpaid nine months after the decedent's death.

PLACE OF PAYMENT ~~ Inheritance Taxes are payable to the Register of Wills of the county in which the decedent resided. All checks should be made payable to "Register of Wills, Agent."

ENTRY INTO SAFE DEPOSIT BOXES ~~ Unless registered in the names of husband and wife, the box is sealed at the death of the decedent. However, entry into the box to remove a will or cemetery deed is possible if done in the presence of an employee of the financial institution. If the box is in the decedent's name alone or in the name of the decedent and a deputy or custodian, the box is sealed at death. The executor or administrator must schedule an appointment to meet with a representative of the Department of Revenue (412-565-5253) at the bank and present a Short Certificate to the financial institution before the box can be opened. Once the box has been inventoried, a copy is given to the co-owner or personal representative and another copy is sent to the

Dept. of Revenue. After the box is inventoried, any or all contents may be removed.

In lieu of scheduling an appointment with the Dept. of Revenue, the box may be entered with an employee of the bank and inventoried by that employee providing all the same criteria are met. This, however, is at the discretion of the financial institution and there may be a reasonable charge.

This information has been made available to you as a public service. It is intended to provide general information about Pennsylvania Inheritance Tax. You may wish to consult an attorney as to how this information may apply to you.

**Inheritance Tax forms and publications are available at the Register & Recorder's Office located in the County Courthouse (Room 100), 10 East High Street, Waynesburg, PA (Phone: 724-852-5283)
Office hours are Monday through Friday, 8:30 a.m. to 4:30 p.m.**

**~~ OR ~~ Downloaded from the Pennsylvania Department of Revenue at:
www.revenue.state.pa.us**