CONFERENCE COMMITTEE REPORT
DIGEST FOR ESB 293

Citations Affected: IC 6-4.1.

Synopsis: Inheritance tax. Conference committee report for ESB 293. Reclassifies a spouse, widow, or widower of a child of the transferor as a Class A transferee instead of a Class B transferee. Reclassifies a spouse, widow, or widower of a stepchild of the transferor as a Class A transferee instead of a Class C transferee. Increases the inheritance tax exemption amount for Class A transferees from $100,000 to $250,000 with respect to taxable transfers resulting from the deaths of individuals dying after December 31, 2011. Phases out the inheritance tax over 9 years beginning in 2013. Phases out the inheritance tax replacement amounts payable to counties over 10 years beginning with amounts payable for the state fiscal year beginning July 1, 2012. **(This conference committee report does the following: (1) Provides that the transferee classification changes and the increased Class A exemption amount apply after December 31, 2011, instead of after June 30, 2012. (2) Removes increases to the exemption amounts for Class B and Class C transferees. (3) Phases out the inheritance tax over 9 years beginning in 2013 instead of over 10 years beginning in 2012.)**

Effective: January 1, 2012 (retroactive); July 1, 2012.

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT:

Your Conference Committee appointed to confer with a like committee from the House upon Engrossed House Amendments to Engrossed Senate Bill No. 293 respectfully reports that said two committees have conferred and agreed as follows to wit:

that the Senate recede from its dissent from all House amendments and that the Senate now concur in all House amendments to the bill and that the bill be further amended as follows:

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 6-4.1-1-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 2. IC 6-4.1-1-3, AS AMENDED BY P.L.220-2011, SECTION 149, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2012 (RETROACTIVE)]: Sec. 3. (a) "Class A transferee" means a transferee who is any of the following:

(1) **A** lineal ancestor of the transferor.

(2) **A** lineal descendant of the transferor.

(3) **A** stepchild of the transferor, whether or not the stepchild is adopted by the transferor. This subdivision applies to the estate of an individual who dies after June 30, 2004.

(4) **A** lineal descendant of a stepchild of the transferor, whether or not the stepchild is adopted by the transferor.

(5) A spouse, widow, or widower of a child of the transferor. This subdivision applies to the estate of an individual who dies after December 31, 2011.

(6) A spouse, widow, or widower of a stepchild of the

transferor, whether or not the stepchild is adopted by the transferor. This subdivision applies to the estate of an individual who dies after December 31, 2011.

(b) "Class B transferee" means a transferee who is a:

(1) brother or sister of the transferor;

(2) descendant of a brother or sister of the transferor; or

(3) spouse, widow, or widower of a child of the transferor. **This subdivision applies to the estate of an individual who dies before January 1, 2012.**

(c) "Class C transferee" means a transferee, except a surviving spouse, who is neither a Class A nor a Class B transferee.

(d) For purposes of this section, a legally adopted child is to be treated as if the child were the natural child of the child's adopting parent if the adoption occurred before the individual was totally emancipated. However, an individual adopted after being totally emancipated shall be treated as the natural child of the adopting parent if the adoption was finalized before July 1, 2004.

(e) For purposes of this section, if a relationship of loco parentis has existed for at least ten (10) years and if the relationship began before the child's fifteenth birthday, the child is to be considered the natural child of the loco parentis parent.

(f) As used in this section, "stepchild" means a child of the transferor's surviving, deceased, or former spouse who is not a child of the transferor.

SECTION 3. IC 6-4.1-2-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 4. IC 6-4.1-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) An inheritance tax is imposed at the time of a decedent's death on certain property interest transfers made by ~~him.~~ **the decedent.** The transfer of a property interest is subject to the tax if:

(1) the property transferred is described in:

~~(i)~~ **(A)** section 2 of this chapter, if the property is transferred by a resident decedent; or

~~(ii)~~ **(B)** section 3 of this chapter, if the property is transferred by a nonresident decedent;

(2) the transfer is described in section 4 of this chapter; and

(3) neither the transfer nor the property is exempt from the inheritance tax under IC 6-4.1-3.

(b) For purposes of this article, a transfer described in section 4 of this chapter is considered a transfer made by the deceased transferor regardless of when the transferee acquires the property interest.

SECTION 5. IC 6-4.1-3-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 6. IC 6-4.1-3-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2012 (RETROACTIVE)]: Sec. 10. **(a) With respect to a taxable transfer or transfers resulting from the death of a decedent who dies before January 1, 2012,** the first one hundred thousand dollars ($100,000) of property interests transferred to a Class A transferee under ~~a~~ **the** taxable transfer or transfers is exempt from the inheritance tax.

(b) With respect to a taxable transfer or transfers resulting from the death of a decedent who dies after December 31, 2011, the first two hundred fifty thousand dollars ($250,000) of property interests transferred to a Class A transferee under the taxable transfer or transfers is exempt from the inheritance tax.

SECTION 7. IC 6-4.1-4-0.2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.2. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 8. IC 6-4.1-5-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 9. IC 6-4.1-5-1.1 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 1.1. (a) This section applies to a property interest transferred by a decedent whose death occurs after December 31, 2012.**

(b) For purposes of determining the amount of inheritance tax imposed under this article, a credit is allowed against the tax imposed under section 1 of this chapter on a decedent's transfer of property interests. The amount of the credit equals the inheritance tax imposed under section 1 of this chapter multiplied by the percentage prescribed in the following table:

YEAR OF INDIVIDUAL'S DEATH	PERCENTAGE OF CREDIT
2013	**10%**
2014	**20%**
2015	**30%**
2016	**40%**
2017	**50%**
2018	**60%**
2019	**70%**
2020	**80%**
2021	**90%**

(c) A person who is liable for inheritance tax imposed under this article may claim the credit allowed under this section at the time the person pays the tax. When the payment is made, the person collecting the tax shall reduce the inheritance tax due by the amount of the credit specified in subsection (b).

SECTION 10. IC 6-4.1-6-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS

[EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 11. IC 6-4.1-7-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 12. IC 6-4.1-8-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 13. IC 6-4.1-9-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.**

SECTION 14. IC 6-4.1-11-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) The department of state revenue shall collect the Indiana estate tax and the interest charges imposed under this chapter. The department shall remit the money which it collects under this chapter to the state treasurer, and the state treasurer shall deposit the money in the state general fund.

(b) ~~Before August 15 of each year~~ **Except as provided in subsection (e),** the treasurer of state shall **annually** distribute to each county the amount determined under subsection (c) **or (d)** for the county. **The distribution for a particular state fiscal year must be made before August 15 of the following state fiscal year.** There is appropriated from the state general fund the amount necessary to make the distributions under this ~~section.~~ **subsection.**

(c) **For a state fiscal year ending before July 1, 2012,** the department of state revenue shall determine the inheritance tax replacement amount for each county using the following formula:

STEP ONE: Determine the amount of inheritance tax revenue retained by each county in each state fiscal year beginning with the state fiscal year that began July 1, 1990, and ending with the state fiscal year that ends June 30, 1997.

STEP TWO: Determine the average annual amount of inheritance tax revenue retained by each county using five (5) of the seven (7) state fiscal years described in STEP ONE after excluding the two (2) years in which each county retained its highest and lowest totals of inheritance tax revenue.

STEP THREE: Determine the remainder of the STEP TWO amount minus the amount of inheritance taxes retained by the county during the immediately preceding state fiscal year.

(d) For a state fiscal year beginning after June 30, 2012, and ending before July 1, 2022, the department of state revenue shall determine the inheritance tax replacement amount for each county using the following formula:

STEP ONE: Determine the inheritance tax replacement amount distributed to the county for the state fiscal year that began on July 1, 2011.

STEP TWO: Multiply the amount determined under STEP ONE by the appropriate percentage as follows:

(A) Ninety-one percent (91%) for the state fiscal year beginning July 1, 2012.

(B) Eighty-two percent (82%) for the state fiscal year beginning July 1, 2013.

(C) Seventy-three percent (73%) for the state fiscal year beginning July 1, 2014.

(D) Sixty-four percent (64%) for the state fiscal year beginning July 1, 2015.

(E) Fifty-five percent (55%) for the state fiscal year beginning July 1, 2016.

(F) Forty-five percent (45%) for the state fiscal year beginning July 1, 2017.

(G) Thirty-six percent (36%) for the state fiscal year beginning July 1, 2018.

(H) Twenty-seven percent (27%) for the state fiscal year beginning July 1, 2019.

(I) Eighteen percent (18%) for the state fiscal year beginning July 1, 2020.

(J) Nine percent (9%) for the state fiscal year beginning July 1, 2021.

(e) A county is not entitled to a distribution under subsection (b) for a state fiscal year beginning after June 30, 2022.

SECTION 15. IC 6-4.1-12-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 0.5. (a) For an individual who dies after December 31, 2021, there is no inheritance tax imposed on the decedent's transfer of property interests.**

(b) Sections 1 through 12 of this chapter do not apply to a property interest transferred by a decedent whose death occurs after December 31, 2021.

SECTION 16. **An emergency is declared for this act.**

(Reference is to ESB 293 as printed February 24, 2012.)

Conference Committee Report
on
Engrossed Senate Bill 293

Signed by:

Senator Smith J Chairperson	Representative Turner
Senator Skinner	Representative Welch
Senate Conferees	**House Conferees**