

**Indiana Department of Revenue
Inheritance Tax Section**

2012 County Treasurers' Conference
August 1, 2012
Don Hopper and Diane Richards

Monday, July 23, 2012

**2012 Legislation Impacting
Inheritance Tax**

- **SB 293**

- 1) Increases Class A Exemption to \$250,000
- 2) Expands Definition of Class A Transferee
- 3) Phases Out Inheritance Tax from 2013 to 2021 via an increasing credit
- 4) Provides formula to determine inheritance tax replacement amount for each county for FY2012 - 2022

**SB 293 –
Increase in Class A Exemption Amount**

- Class A Exemption increasing to **\$250,000** for decedents dying after 12/31/2011
- Class A Exemption is **\$100,000** for decedents dying before 1/1/2012

SB 293 –
Expansion of Definition of Class A Transferee

- **Class A** – expanded to include **spouse, widow or a widower of a child or stepchild of a transferor** for decedent who dies after 12/31/2011
- Decedents dying before 1/1/2012 - spouse, widow or widower of:
 - Natural child – Class B (\$500 Exemption)
 - Stepchild – Class C (\$100 Exemption)

SB 293 –
Phase Out of Inheritance Tax

- **9 year phase out** – starting in 2013 and ending in 2022 via an increasing credit
- Credit tied to individuals dying during a particular calendar year
- **Credit** – 10% increments each year starting in 2013
- **Tax repealed** for decedents dying after 12/31/2021

SB 293 –
9 Year Phase Out of Inheritance Tax

Year of Death	Credit
2012	0%
2013	10%
2014	20%
2015	30%
2016	40%
2017	50%
2018	60%
2019	70%
2020	80%
2021	90%
2022	Repealed

Credit applied when tax is paid

**SB 293 –
County IH Tax Replacement**

- Provides **formula** to determine inheritance tax replacement amount for each county for FY2012 - 2022
- **Steps:**
 - 1) Determine the IH Tax replacement amount for each county for FY2012
 - 2) Multiply amount determined under Step 1 by specific percentages set out for each FY beginning in FY2013 through FY2022

**SB 293 –
County IH Tax Replacement**

Step 1 – Determine the IH Tax replacement amount for each county for FY2012:

1a – Use formula found in Ind. Code 6-4.1-11-6(c) (Diane Richards has determined these amounts for each county)

1b – Determine amount of inheritance tax revenue retained by each county for FY2012

1c – For each county subtract 1b from 1a = inheritance tax replacement amount for each county

**SB 293 –
County IH Tax Replacement**

Fiscal Year	Percentage
2013	91%
2014	82%
2015	73%
2016	64%
2017	55%
2018	45%
2019	36%
2020	27%
2021	18%
2022	9%
2023 and Beyond	None

Step 2 – Multiply amount determined under Step 1 by specific percentages set out for each Fiscal Year beginning in FY2013 through FY2022

**SB 293 – County IH Tax Replacement
Fiscal Impact**

Fiscal Year	County Replacement Payment Phase Out
2013	91% of replacement payments made for FY2012
2014	82% of replacement payments made for FY2012
2015	73% of replacement payments made for FY2012
2016	64% of replacement payments made for FY2012
2017	55% of replacement payments made for FY2012
2018	45% of replacement payments made for FY2012
2019	36% of replacement payments made for FY2012
2020	27% of replacement payments made for FY2012
2021	18% of replacement payments made for FY2012
2022	9% of replacement payments made for FY2012
2023 and Beyond	End of replacement payments

**SB 293 – County IH Tax Replacement
Fiscal Impact**

- 13 counties received less revenue than is guaranteed by prior county inheritance tax replacement law for FY2011, totaling \$108,000
- Total replacement payments have averaged \$113,000 since FY2006
- County inheritance tax revenue will be reduced due to Class A Exemption being increased to \$250,000 for individuals dying after 12/31/2011

**SB 293 –
9 Year Phase Out of Inheritance Tax**

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Credit applied when tax is paid

Quarterly Reports

Quarterly Report will not change



Quarterly Reports



Reminders

- **Receipts** are to be mailed to DOR weekly, not monthly
- **Refunds** come from DOR only after we receive a Claim for Refund (Form IH-5) – available at <http://www.in.gov/dor/3509.htm>
- Be sure to **check your math**
