

# INDIANA DEPARTMENT OF REVENUE INHERITANCE TAX NOTES

March  
2012

**G**overnor Daniels signed Senate Enrolled Act 293 on March 20, 2012. This new law will have significant impact on the administration of Indiana's inheritance tax laws. SEA 293:

- 1) Increases Class A Exemption to \$250,000
- 2) Expands the definition of Class A transferee
- 3) Phases out inheritance tax from 2013 to 2021 via an increasing credit

## **Increases Class A Exemption to \$250,000**

The Class A Exemption has been increased to \$250,000 for decedents dying after December 31, 2011. However, please keep in mind that for individuals dying before January 1, 2012, but after June 30, 1997, the Class A Exemption is still \$100,000. If you have already processed returns for individuals dying in 2012 using the \$100,000 Class A Exemption amount, the estate may need to file a revised IH-6 and obtain a new order determining tax (Form IH-9) if one has already been issued by the court.

The Class B and C Exemptions remain the same:

Class B – \$500 Exemption

Class C – \$100 Exemption

The tax rates and method of calculating tax on the transfer of an amount over the exemption for Class A, B, and C transferees remain the same.

## **Expands the Definition of Class A Transferee**

SEA 293 has also expanded the definition of Class A transferee to include a spouse, a widow, or a widower of a child or stepchild of a transferor for a decedent who dies after December 31, 2011. Decedents dying before January 1, 2012, who made taxable transfers to a spouse, widow, or widower of a child or stepchild have the following exemption amounts:

Natural child – Class B (\$500 Exemption)

Stepchild – Class C (\$100 Exemption)

## **Phases Out Inheritance Tax from 2013 to 2021 via an Increasing Credit**

There will be a gradual nine-year phase-out of Indiana's inheritance tax starting in 2013 and ending in 2022 via an increasing credit. The credit is tied to individuals dying during a particular calendar year, and the credit increases in 10% increments each year starting in 2013.

The tax is repealed for decedents dying after December 31, 2021. The credit is to be applied by the county treasurer or Department of Revenue when the tax is paid.

### **Inheritance Tax Phase-Out**

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2022	Repealed

If you have any questions about this new law, please contact Don Hopper, Inheritance Tax Administrator, at [dhopper@dor.in.gov](mailto:dhopper@dor.in.gov) or call 317-232-2154 to talk with him or other Department staff.