

Estate Tax

Repeal of Estate Tax

The Ohio estate tax has been repealed for individuals dying on or after Jan. 1, 2013 (see House Bill 153, 129th General Assembly). Also, House Bill 153 provides closure of the former Ohio Inheritance Tax (see history section), by requiring all claims and inquiries regarding the Inheritance Tax to be submitted to the Department of Taxation prior to Jan. 1, 2013.

Taxpayer

The tax is paid by the administrator, executor, or other estate representative in possession of the property subject to tax.

Tax Base

The tax applies to the net taxable estate, which equals the value of the gross estate less allowable deductions.

Rates

Rates are tiered in the brackets shown below. Estates with a net taxable value of \$338,333 or less are effectively exempt from the tax because of the availability of a non-refundable estate credit of up to \$13,900. The effect of this credit, which applies to dates of death on or after Jan. 1, 2002, is also shown in the table below.

Net taxable estate	Tax before credit	Tax after credit
\$0 to \$40,000	2% of the net taxable estate	No tax
\$40,000 to \$100,000	\$800 plus 3% of excess over \$40,000	No tax
\$100,000 to \$200,000	\$2,600 plus 4% of excess over \$100,000	No tax
\$200,000 to \$300,000	\$6,600 plus 5% of excess over \$200,000	No tax
\$300,000 to \$500,000	\$11,600 plus 6% of excess over \$300,000	6% of excess over \$338,333
Over \$500,000	\$23,600 plus 7% of excess over \$500,000	\$9,700 plus 7% of excess over \$500,000

Major Exemptions

A marital deduction is allowed equal to the net value of any asset passing from the decedent to the surviving spouse, but only to the extent that the asset is included in the value of the Ohio gross estate.

Other deductions available before the calculation of tax liability include funeral expenses, costs of administering the estate, unpaid debts against the estate, charitable bequests, and that portion of an annuity or other death benefit plan contributed by an employer or former employer of the decedent.

Revenue

(In Millions)

Fiscal Year	Local Governments	General Revenue Fund	Total
2009	\$269.4	\$64.4	\$333.8
2010	230.8	55.0	285.8
2011	302.1	72.1	374.2
2012	285.3	66.5	351.8
2013	340.5	105.2	445.7

Disposition of Revenue

For estates with dates of death on or after June 29, 2004, revenue is distributed as follows, with administrative costs shared equally:

- 80 percent to the municipal corporation or township of origin;
- 20 percent to the state General Revenue Fund.

For estates with dates of death on or after Jan. 1, 2002 but before June 29, 2004, revenue was distributed in the same 80/20 split, but administrative costs were deducted from the state share.

Payment Dates

The estate tax return is to be filed within nine months of the decedent's death. However, an automatic six-month extension is granted to all estates. Payment of the estate tax is due nine months from the date of the decedent's death to the treasurer of the county where the estate tax return was filed.

Special Provisions/Legislation/ Credits

Estate tax credit:

For estates with a date of death on or after Jan. 1, 2002, this credit is equal to \$13,900 or the amount of estate tax owed, whichever is less. This effectively exempts the first \$338,333 of the net taxable estate from the tax.

Sections of Ohio Revised Code

Chapter 5731.

Responsibility for Administration

The Tax Commissioner administers the estate tax. The tax is collected locally by the treasurer of the county in which the decedent resided. The tax due for a nonresident decedent owning real property or tangible personal property in Ohio is paid to the county where the return is filed. This is generally the county in which the majority of the real property or tangible personal property is located.

History of Major Changes

1968	Legislature repeals inheritance tax and replaces it with an estate tax effective July 1, 1968.
2011	House Bill 153, 129th General Assembly, repeals the Ohio Estate Tax for individuals dying on or after Jan. 1, 2013. House Bill 153 also legislates closure of the former Ohio Inheritance Tax, by requiring all claims and inquiries regarding the Inheritance Tax to be submitted to the Department of Taxation prior to Jan. 1, 2013.
2012	House Bill 508, 129th General Assembly, eliminates the requirement, with respect to persons dying on or after Jan. 1, 2013, that written permission be obtained from the Tax Commissioner before certain assets of a decedent may be transferred to another person.

Comparisons with Other States

(As of July 1, 2013)

California, Florida, Michigan, Texas, and **West Virginia** have no estate tax. Three comparison states – **Indiana, Kentucky** and **Pennsylvania** – levy inheritance taxes rather than estate taxes. An inheritance tax is based upon the succession of property transferred to an

individual and the relationship of that individual to the decedent, rather upon the value of the estate itself. The Indiana inheritance tax is being phased out over a nine-year period, beginning in 2013 and ending Jan. 1, 2022.

Before the enactment of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), many other states levied only a “sponge tax” that applied up to the value of the federal credit for estate taxes paid to states. In order to avoid the loss of this revenue that would accompany the 2005 temporary suspension of this federal credit, the laws of some states maintain out-of-date definitions of the federal credit. These states include:

- **Massachusetts**, which imposes a sponge tax up to the maximum federal credit that existed as of Dec. 31, 2000, with a \$1 million exclusion.
- **New York**, which imposes a sponge tax up to the maximum federal credit that existed as of July 22, 1998, with a filing threshold of \$1 million.
- **New Jersey**, which imposes a sponge tax up to the maximum federal credit that existed as of Dec. 31, 2001, with a \$675,000 filing threshold.

For these states, a return of the federal credit for estate taxes paid to states will have no impact on the computation of state estate tax.

In addition to its sponge tax, **New Jersey** maintains a simplified state estate tax system that applies to those not filing federal estate taxes; the taxable value of the estate is reduced by \$60,000 and there is no tax on estates valued at less than \$615,000. The rate is between 4.8% and 37%. **New Jersey** also levies a separate inheritance tax.

In **Illinois**, for decedents dying on or after Jan. 1, 2013, an estate tax applies with an exemption of \$4 million. The rate is between 0.8% and 16.0%.