

ESTATE TAX

TAX BASE

The net taxable estate equals the value of the gross estate less allowable deductions.

RATES

<u>Net Taxable Estate</u>	<u>Tax Rate</u>
0 - \$40,000	2% of Taxable Estate
\$40,001 - 100,000	\$800 + 3% of excess over \$40,000
100,001 - 200,000	2,600 + 4% of excess over 100,000
200,001 - 300,000	6,600 + 5% of excess over 200,000
300,001 - 500,000	11,600 + 6% of excess over 300,000
500,001 and over	23,600 + 7% of excess over 500,000

MAJOR EXEMPTIONS

Marital Deduction

For estates of decedents dying on or after July 1, 1993, a marital deduction is allowed in an amount equal to the net value of any asset passing from the decedent to the receiving spouse, but only to the extent that the asset is included in the value of the Ohio gross estate.

Other Deductions

Certain items eligible to be deducted from the gross estate prior to calculating tax liability include, but are not limited to: funeral expenses, costs of administering the estate, unpaid debts against the estate, charitable bequests, portions of an annuity or other death benefit plan contributed by an employer, and qualified family-owned business interests.

REVENUE (IN MILLIONS)*

<u>Fiscal Year</u>	<u>Local Governments</u>	<u>General Revenue Fund</u>	<u>Total</u>
1998	\$209.0	\$114.8	\$323.8
1999	267.0	141.5	408.5
2000	294.7	140.0	434.7
2001	285.6	166.0	451.6

* State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because they are based on the certification of the local share (including fees) from the semi-annual settlements that occur each year.

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DISPOSITION OF REVENUE

Estates with a date of death during 2001: 70 percent to the municipal corporation or township of origin; 30 percent, less costs of local administration, to the state General Revenue Fund.

Estates with dates of death on or after January 1, 2002: 80 percent to the municipal corporation or township of origin; 20 percent, less costs of local administration, to the state General Revenue Fund.

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. 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.

REMITTER OF TAX

The estate representative (executor, administrator, trustee, etc.) or person in possession of taxable property.

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 at the expiration of 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 / CREDITS

For estates with a date of death during 2001, the credit is equal to the lesser of \$6,600 or the amount of the estate tax owed. This effectively exempts the first \$200,000 of the taxable estate from taxation.

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

ESTATE TAX

SPECIAL PROVISIONS / CREDITS

Additional Estate Tax

Tax levied in addition to the basic estate tax, to take advantage of a federal law which allows a credit against federal estate tax liability for state death taxes paid. In general, the amount of additional tax due and payable is the difference between the maximum federal credit allowed minus state death taxes paid to Ohio and other states, U.S. territories, and the District of Columbia.

Generation-Skipping Tax

Tax levied to take advantage of a federal law allowing a state credit against federal tax liability on generation-skipping transfers of property. The tax is levied on every generation-skipping transfer of property (other than a direct skip) having a situs in Ohio that occurs at the same time as, and as a result of, the death of an individual. The Ohio tax is levied in an amount equal to the federal credit. The credit shall not exceed five percent of the amount of the generation-skipping transfer tax imposed.

HISTORY OF MAJOR CHANGES

- 1893 • First Ohio death tax enacted — an inheritance tax levied on the succession of property from a decedent's estate.
- 1968 • Inheritance tax repealed and an estate tax levied on taxable value of the estate.
- 1976 • Surviving spouse exemption raised from \$20,000 to \$30,000.
- 1979 • Resident decedent estates with gross value under \$5,000 exempted from filing returns.
- 1982 • Resident decedent estates with gross value under \$10,000 exempted from filing returns, and all previous general and family exemptions doubled in amount.

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HISTORY OF MAJOR CHANGES (con't.)

- 1983 • Tax credit and marital deduction adopted, family and general exemptions repealed, and resident decedent estates with gross value under \$25,000 exempted from filing returns.
- 1993 • Unlimited marital deduction becomes effective July 1, 1993.
- 1997 • Excludes from taxable estate that portion of an annuity or other death benefit plan contributed by an employer. Effective March 7, 1997.
- 1999 • Increases from \$25,000 to \$40,000 the amount of property or money that a surviving spouse and/or children of the decedent can claim as an allowance for support.
 - Increases from \$85,000 to \$100,000 the maximum value of a decedent's estate that can be relieved from administration, but only where the surviving spouse is entitled to inherit all assets of the estate.
- 2000 • Two year phased-in increase in the estate tax credit from \$500 to \$13,900.
 - Two year phased-in increase of the local share of estate tax revenue from 64 percent to 80 percent, lowering the state share from 36 percent to 20 percent.
 - A deduction is created for qualified family-owned business interests.
- 2001 • Adoption of provisions (where certain circumstances apply) increasing from nine months to thirteen months the timeframe within which an executor or administrator, after the date of their appointment, shall collect decedent's assets and complete the estate administration.

ESTATE TAX

COMPARISON WITH OTHER STATES

Ohio

Rates from 2% of taxable estate less than \$40,000 to \$23,600 plus 7% of excess over \$500,000.

Unlike **Ohio**, some states, including **Indiana, Kentucky, New Jersey, 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 than upon the value of the estate itself.

All of the above mentioned states, like **Ohio**, also levy an additional (pick-up) tax to take advantage of the maximum allowable federal credit for state estate taxes paid.

California, Florida, Illinois, Massachusetts, Michigan, New York, Texas, and West Virginia levy only a pick-up tax equivalent to the federal credit for state estate tax paid.