REV-555-I EX+ (3-04)

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
DEPT. 280601
HARRISBURG, PA 17128-0601

INHERITANCE TAX GENERAL INFORMATION

PENNSYLVANIA RESIDENT DECEDENTS

1. EXEMPT PROPERTY

Property owned by husband and wife with right of survivorship is exempt from Inheritance Tax unless the joint ownership was created by the decedent within one year of the decedent's death.

Life insurance proceeds payable to a named beneficiary as well as to the decedent's estate are tax exempt.

2. TAXABLE PROPERTY

All real property and all tangible personal property, including but not limited to cash; automobiles, furniture, antiques, jewelry, etc., located in Pennsylvania are taxable. All intangible property including stocks, bonds, bank accounts, loans receivable, etc., is taxable regardless of where it is located. Jointly-owned property, except between husband and wife, including but not limited to real estate, securities, bank accounts, etc., with right of survivorship, is taxable. Joint property is taxable even though the decedent's name was added as a matter of convenience.

3. TAXABLE TRANSFERS

If the decedent died after December 12, 1982, a transfer of property made within one (1) year of the death of the decedent, if made without valuable and adequate consideration in money or money's worth at the time of the transfer, is taxable to the extent that the transfer exceeds $3,000 per transferee during any calendar year. For those decedents dying on or before December 12, 1982, a transfer of property made within two (2) years of death of the decedent, if made without adequate consideration, is taxable. Property transferred by the decedent, but in which he/she retained a life interest, is taxable.

4. DEDUCTIONS

Unsatisfied liabilities incurred by the decedent prior to his/her death are deductible against his/her taxable estate. In addition to debts incurred by the decedent or estate, the cost of administration, attorney fees, fiduciary fees, funeral and burial expenses including the cost of a burial lot, tombstone or grave marker and other related burial expenses are deductible.

The family exemption is a right given to specific individuals to retain or claim certain items of the decedent's property in accordance with Section 3121 of the Probate, Estates and Fiduciaries Code. For decedents dying after **January 31, 1995** the family exemption is **$3,500.00.** From **June 27, 1974** through **January 31, 1995** the amount of the family exemption was **$2,000.00.**

The family exemption may be claimed by a spouse of a decedent who died a resident of Pennsylvania. If there is no spouse, or if the spouse has forfeited his/her rights, then any child of the decedent who is a member of the same household as the decedent may claim the exemption. In the event there is no spouse or child, the exemption may be claimed by a parent or parents who are members of the same household as the decedent. The family exemption is allowable only against assets which pass by a will or by the Pennsylvania Intestate Laws.

5. TRANSFERS TO SPOUSE FOR DATES OF DEATH ON OR AFTER JANUARY 1, 1995

Transfers in trust for the sole use of the surviving spouse are not taxable in the current decedent's estate but are includable in the surviving spouse's estate when he or she dies. This exclusion of the asset in the first decedent spouse's estate may be bypassed if the estate elects to include the trust in the first decedent spouse's estate. This election must be made on a timely filed inheritance tax return. See General Instruction booklet for more details.

6. RATES FOR INHERITANCE TAX

The rates of tax are based on the date of death of the decedent and are as follows:

Date of Death	Spouse	Lineal	Sibling	Collateral
12/29/67 to 06/30/94	6%	6%	15%	15%
07/01/94 to 12/31/94	3%	6%	15%	15%
01/01/95 to 06/30/00	0%	6%	15%	15%
07/01/00 to present	0%	4.5%*	12%	15%

* The tax rate imposed on the net value of transfers from a deceased child twenty-one years of age or younger at death to or for the use of a natural parent, an adoptive parent, or a stepparent of the child is 0%.

The lineal class of heirs includes grandparents, parents, children, and lineal descendants. "Children" includes natural children whether or not they have been adopted by others, adopted children and stepchildren. "Lineal descendants" includes all children of the natural parents and their descendants, whether or not they have been adopted by others, adopted descendants and their descendants and step-descendants. For estates of decedents dying before December 13, 1982, descendants of stepchildren are not included as lineal descendants. "Siblings" are defined as individuals who have at least one parent in common with the decedent, whether by blood or adoption. The "Collateral" class of heirs includes all other beneficiaries.

Charitable organizations, exempt institutions and government entities are exempt from tax.

7. CREDIT FOR SPOUSAL TRANSFERS (POVERTY CREDIT)

A credit exists for decedents dying on or after **January 1, 1992** and before **January 1, 1995** for transfers made to a spouse if three criteria are met. First, the transferee must be the decedent's spouse at the date of death. Second, the value of the gross estate must not exceed $200,000 after reduction for actual liabilities. Third, the average of the joint exemption income of the decedent and spouse for the three years prior to the decedent's death must not exceed $40,000.

The credit is calculated up to the first $100,000 of taxable transfers to the spouse. The credit is **2%** for 1992, **4%** for 1993 and **6%** for 1-94 through 6-30-94. From July 1, 1994 through January 1, 1995, the amount of the spousal poverty credit shall not be greater than the tax imposed. There is no credit for spousal transfers after January 1, 1995.

8. DISCOUNT FOR EARLY PAYMENT OF TAX

If the tax is paid within three months after the decedent's death, a discount of 5% of the tax paid is allowed.

9. INTEREST ON DELINQUENT TAX

Interest is charged on the amount of tax unpaid after nine months from decedent's date of death. The rate of interest accrued on liabilities that became delinquent in 1981 is 6% per year. That rate will remain constant until all tax and interest are paid in full.

All taxes that become delinquent on and after January 1, 1982 will bear a daily interest at a rate which will vary from calendar year to calendar year. The rates for subsequent years are: 1982 – 20%; 1983 – 16%; 1984 – 11%; 1985 – 13%; 1986 – 10%; 1987 – 9%; 1988 through 1991 – 11%; 1992 – 9%; 1993 – 7%; 1994 – 7%; 1995 through 1998 – 9%; 1999 - 7%, 2000 - 8%, 2001 - 9%, 2002 - 6%, 2003 - 5%, and 2004 - 4%.

10. PERSONS RESPONSIBLE FOR FILING RETURN

The personal representative (executor or administrator) appointed by the Register of Wills is responsible for filing the return. An individual who received property by right of survivorship or a transfer is responsible for filing a return if the property was not reported by the personal representative.

11. PLACE FOR FILING

The return must be filed in duplicate with the Register of Wills of the county in which the decedent resided.

12. TIME FOR FILING

The Inheritance Tax Return is due within nine months after the decedent's death.

13. EXTENSION OF TIME FOR FILING RETURN

Requests for an extension (not to exceed six months) for filing must be submitted within the nine-month filing period to the Bureau of Individual Taxes, Inheritance Tax Division, Dept. 280601, Harrisburg PA 17128-0601. This extension will not relieve the estate of the interest which will accrue on any tax liability unpaid nine months after the decedent's death.

14. PLACE OF PAYMENT

Inheritance Taxes are payable to the Register of Wills of the county in which the decedent resided. All checks should be made payable to "Register of Wills, Agent." Payment of county filing fees must be made by separate check.

15. FILING REQUIREMENTS OF FEDERAL ESTATE TAX INFORMATION

All executors and administrators who are required to file a Federal Estate Tax Return must file a copy with the Register of Wills within one month after the return is filed with the Federal Government. A copy of the Federal Closing Letter received from the Federal Government must also be filed with the Register of Wills within 30 days of receipt. Payment of Pennsylvania Estate Tax based upon the Federal Estate Tax Return must be made within nine months of the date of death to avoid interest. Payment of Pennsylvania Estate Tax based upon the Federal Closing Letter must be made within 30 days of receipt of the closing letter by the executor or administrator, or his representative, to avoid interest.

16. LIEN FOR DELINQUENT TAXES

A lien automatically attaches to real estate owned by the decedent if there are delinquent Inheritance Taxes and accrued interest. The lien will remain in effect until the tax and interest are paid in full.

17. PENALTY FOR FAILURE TO FILE INHERITANCE TAX RETURN

A person who willfully fails to file a return will be personally liable for a penalty of 25% of the tax due or $1,000, whichever is less.

18. PENALTY FOR FILING FALSE RETURN

A person who willfully files a false return commits a misdemeanor of the third degree.

19. FORMS ORDERING

Forms and schedules may be obtained at the Register of Wills office or at any of the Revenue district offices. You may order any Pennsylvania tax form or schedule by calling 1-888-PATAXES (1-888-728-2937) (touch-tone service required) or 1-800-362-2050 (serving taxpayers without touch-tone phone service), TT# 1-800-447-3020 (services for taxpayers with special hearing and speaking needs only).