

Can I Reduce The Cost?

Here are a few cost-saving tips to keep in mind when faced with the inheritance tax:

- If the tax is paid within three months, there is a 5 percent discount of the tax paid or the tax due, whichever is less.
- Funeral expenses, unpaid bills and the cost to administer the estate can be deducted from the amount subject to tax.
- A widow or widower pays no tax on assets that are inherited from a spouse.
- A spouse, child or parent who is a member of the same household as the decedent may claim a family exemption

of \$3,500 to retain certain types of a decedent's property in accordance with state law. The exemption amount is only allowable against assets that are passed on.



What About The Estate Tax?

The estate tax only applies when taxable assets are valued over \$1 million. Then, a Federal Estate Tax Return (Form 706) must be filed.

LIO REV. 06-03

Need More Information?

Call the state Department of Revenue at (717) 787-8327 or write to the Inheritance Tax Division at:

**PA Department of Revenue
Bureau of Individual Taxes
Dept. 280601
Harrisburg, PA 17128-0601**

To order an inheritance tax form, call 1 (888) PATAXES (touch-tone required) or 1 (800) 362-2050 (without touch-tone service).



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Pennsylvania House of Representatives – 182nd District

District Office

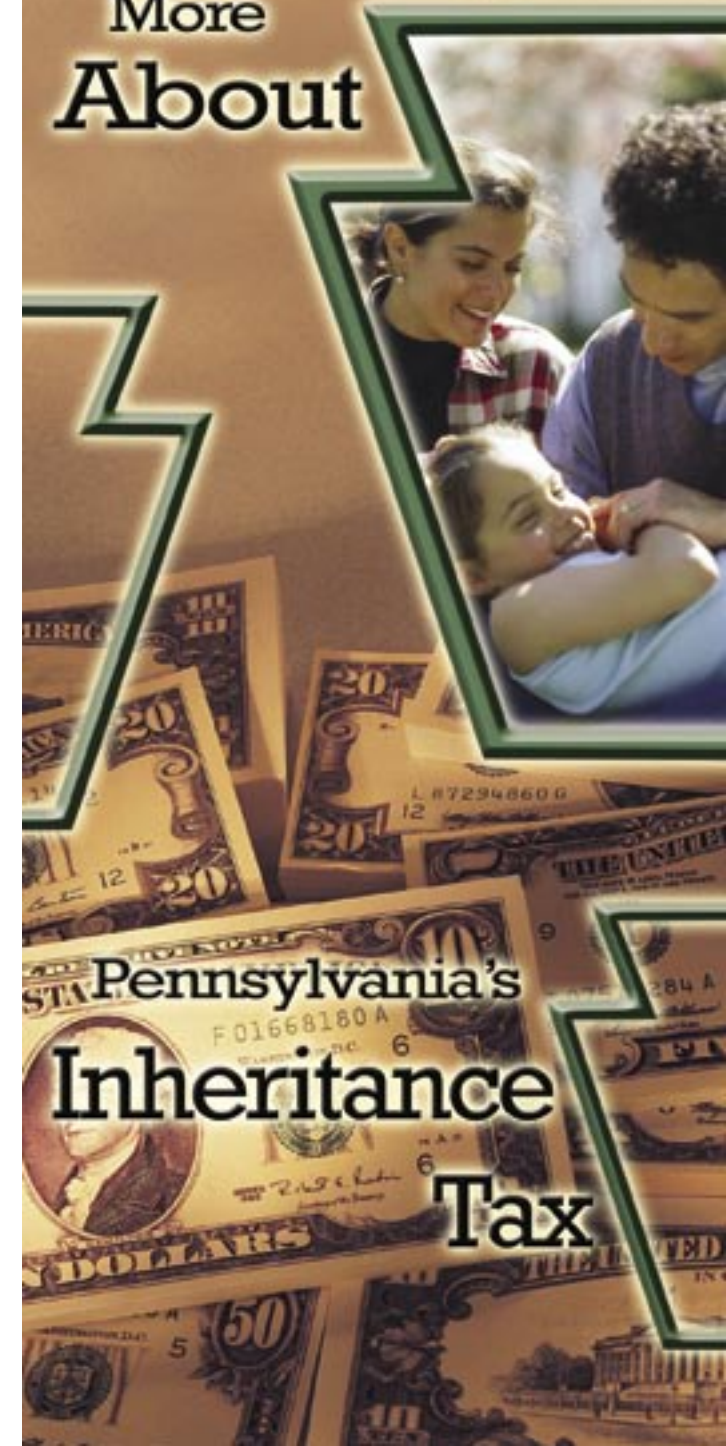
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Learning More About



Pennsylvania's Inheritance Tax

Pennsylvania's Inheritance Tax

Dealing with the death of a family member or friend can be taxing, not only emotionally, but financially, too. Therefore, it is important to understand Pennsylvania's inheritance tax to ensure compliance with the law and to avoid paying penalties.

What will be taxed?

All real and tangible personal property located in Pennsylvania is taxable.

This can include, but is

not limited to cash, automobiles, furniture, antiques and jewelry.

All intangible property, such as stocks, bonds, bank accounts and loans receivable, is also taxable regardless of where it is located. It is not taxable for nonresident decedents.

Jointly-owned property, except between spouses, including, but not limited to real estate, securities and bank accounts, is taxable to the extent of the decedent's share of ownership in the property. Joint property is taxable even if the decedent's name was added for convenience. If the decedent created the joint interest in the property within a year of his/her death, the full value of the property is taxable.

How Much Will I Be Taxed?

Unless you are the surviving spouse, you will have to pay taxes on your inheritance. The following chart details Pennsylvania's inheritance tax rates:

<i>Heir Classes</i>			
<i>Spouse</i>	<i>Lineal</i>	<i>Sibling</i>	<i>Collateral</i>
0%	4.5%*	12%	15%

**The tax rate imposed on property inherited from a deceased child 21 or younger to a natural parent, an adoptive parent or a stepparent of the child is 0 percent.*

What Kind Of Heir Am I?

As the above chart shows, there are a variety of heir classes. It is irrelevant for inheritance tax purposes whether a person is a natural, adopted or step-descendent. **Lineal heirs** are grandparents, parents, children and other lineal descendants.

Sibling heirs must have at least one parent in common, either by blood or adoption with the decedent.

Collateral heirs cover all other beneficiaries.

What Do I Have To Do?

Unless you are the will's executor or administrator, you do not have to do anything. If no executor or administrator is named, then you are accountable.

The responsible party must file an inheritance tax return within nine months after the decedent's death. Failure to do so will result in a penalty of 25 percent of the tax due or \$1,000, whichever is less. Filing a false return is a third-degree misdemeanor.

The return must be filed in duplicate with the Register of Wills of the county in which the decedent lived. If the decedent lived out of state, then the return should be filed with the state Revenue Department's Bureau of Individual Taxes.

The responsible party may submit a filing extension request (up to six months) to the Bureau of Individual Taxes within the nine-month filing period. This extension will not relieve the estate of the interest that will accrue on any unpaid tax liability.