



## Estate Tax

### 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
\$40,001 to \$100,000	\$800 plus 3% of excess over \$40,000	No tax
\$100,001 to \$200,000	\$2,600 plus 4% of excess over \$100,000	No tax
\$200,001 to \$300,000	\$6,600 plus 5% of excess over \$200,000	No tax
\$300,001 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

For older estates:

- A nonrefundable credit of up to \$6,600 applies to dates of death on or after Jan. 1, 2001, but before Jan. 1, 2002. This exempts the first \$200,000 of net taxable estates from the tax.
- A nonrefundable credit of up to \$500 applies to dates of death on or after July 1, 1983, but before Jan. 1, 2001. This credit exempts the first \$25,000 of net taxable estates from the tax.

## 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
2004	\$226.1	\$64.2	\$290.3
2005	240.5	60.4	300.9
2006	218.6	54.1	272.7
2007	287.3	72.1	359.4
2008	255.7	61.4	317.1

## Disposition of Revenue

For estates with dates of death on or after Jan. 1, 2002 but before June 29, 2004, revenue is distributed as follows:

- 80 percent to the municipal corporation or township of origin;
- 20 percent, less costs of local administration, to the state General Revenue Fund.

For dates of death on or after June 29, 2004, local governments share in the costs of administering the estate tax in an 80/20 split that matches the disposition of revenue.

## 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/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.

**Additional estate tax:**

This tax had been levied in addition to the basic estate tax to take advantage of a federal law, now repealed, that allowed a credit against federal estate tax liability for state estate taxes paid. Because the additional estate tax statute has been amended to incorporate changes made by Congress to the Internal Revenue Code as of June 30, 2005, the state additional estate tax is constructively repealed for all decedents who die on or after July 1, 2005.

**Generation-skipping tax:**

This tax had been levied to take advantage of a federal law, now repealed, that allowed a state credit against federal tax liability on generation-skipping transfers of property. Because the generation-skipping transfer tax statute has been amended to incorporate changes made by Congress to the Internal Revenue Code as of June 30, 2005, the state generation-skipping transfer tax is constructively repealed for all taxable distributions and taxable terminations occurring on or after July 1, 2005.

**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**

- 1893** General Assembly enacts a 3½ percent tax on collateral inheritances in excess of \$10,000. A year later, rate is increased to 5 percent and exemption reduced to \$200. The state receives 75 percent of revenue, with 25 percent going to the county where the tax is collected.
- 1894** Legislature enacts tax on direct inheritances in excess of \$20,000, with graduated rates of up to 5 percent on the amount in excess of \$1 million. A year later, the Ohio Supreme Court rules this tax unconstitutional.
- 1904** General Assembly enacts 2 percent tax on all direct inheritances in excess of \$3,000. Two years later, lawmakers repeal the tax.
- 1912** Voters of Ohio approve a constitutional amendment explicitly permitting the taxation of inheritances or estates at uniform or graduated rates.
- 1919** General Assembly replaces 26-year-old collateral inheritance tax with a new graduated inheritance tax. Rates range from 1 to 10 percent.

- 1968** Legislature repeals inheritance tax and replaces it with an estate tax, effective July 1, 1968.
- 1983** Family and general exemptions are repealed in favor of a limited marital deduction and a \$500 credit that shields the first \$25,000 of a net taxable estate from taxation, effective July 1, 1983.
- 1993** Unlimited marital deduction becomes effective July 1, 1993.
- 1997** Effective March 7, 1997, that portion of an annuity or other death benefit plan contributed by an employer is excluded from the taxable estate.
- 2000** General Assembly enacts a two-year phased-in increase of the estate tax credit from \$500 to \$13,900. A new revenue sharing formula is also phased in over two years, with the local share increasing from 64 percent to 80 percent and the state share falling from 36 percent to 20 percent.
- 2004** Legislature revises sharing of administrative costs to match revenue sharing formula; local governments are required to pay 80 percent and the state 20 percent.
- 2005** The Ohio additional estate tax and the Ohio generation-skipping transfer tax are constructively repealed.

## Comparisons with Other States (As of 3/09)

### Illinois

Estate tax is equal to the maximum federal estate tax credit for state estate taxes in effect on Dec. 30, 2001 with an exclusion of \$2 million.

### Massachusetts

Estate tax is equal to the maximum federal estate tax credit for state estate taxes in effect on Dec. 31, 2000 with an exclusion of \$1 million

### New Jersey

Estate tax is equal to the maximum federal estate tax credit for state estate taxes in effect on Dec. 31, 2001 with a \$675,000 filing threshold. A simplified tax system 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 percent and 37 percent.

### New York

Estate tax is equal to the maximum federal estate tax credit for state estate taxes in effect on July 22, 1998. There is a filing threshold of \$1 million.

## Ohio

(As described in the **Rates** section in this chapter.)

Some states including **Indiana, Kentucky, and Pennsylvania**, levy inheritance taxes rather than estate taxes. **New Jersey** levies an inheritance tax in addition to an estate tax. 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.

**California, Florida, Michigan, Texas, and West Virginia** have no estate tax.