

The News You Need to Know



Left to right: Andrew Woolley, Andrew Barninger, Christopher Miller, Stephen Bell and Alan Loss.

This month's article is provided by Scott Mitchell, a local Estate Planning Attorney. Many of our clients will remember Scott from our Preparing for Family Transitions seminars.



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Death & Taxes

What about Death Tax?

There is a familiar saying that the only things in life that are certain are death and taxes. In Pennsylvania, we can add "death tax" to that list. That is, Pennsylvania imposes a "death tax" or "inheritance tax" on most assets owned by an individual at death. It should be noted that there also is a federal "death tax" or "estate tax" scheme. However, the federal tax only applies to estates worth more than \$5.49 million (and so most individuals are not subject to this tax). In Pennsylvania, there is no such exemption, and estates of any size are subject to the Pennsylvania tax.

Pennsylvania's tax rates are as follows:

- 0% Spouses and charities
- 4.5% Children, stepchildren, grandchildren, parents, and grandparents
- 12% Siblings (not including nieces and nephews)
- 15% All others

There are certain types of assets or "death transfers" that are not subject to Pennsylvania inheritance tax, such as (1) life insurance on the life of the person who has died; (2) property given away at least a year before death; and (3) certain types of family farm transfers. However, apart from these exceptions, most assets that an individual owns at death will be subject to the tax. It also should be noted that assets which an individual transfers out of his or her name but in which the individual retains some sort of interest, such as a right to receive income, also are subject to Pennsylvania inheritance tax. For example, assets in a revocable living trust continue to be subject to Pennsylvania inheritance tax at the individual's death.

Like income tax, Pennsylvania inheritance tax is subject to various deductions, such as funeral expenses, costs of estate administration, final bills owing at death, etc., and the inheritance tax is only applied to the "net" estate. Inheritance tax is due 9 months after an individual's death, and if an estimated tax payment is made within 3 months after an individual's death, Pennsylvania allows a 5% discount to be applied against the tax.

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