

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 906 Session of 2005

INTRODUCED BY S. MILLER, ARMSTRONG, BAKER, BALDWIN, BARRAR, BASTIAN, BENNINGHOFF, BOYD, BROWNE, BUNT, CALTAGIRONE, CAPPELLI, CAWLEY, CLYMER, CRAHALLA, CREIGHTON, DALLY, DeLUCA, ELLIS, FAIRCHILD, FICHTER, FORCIER, GABIG, GEIST, GEORGE, GINGRICH, GODSHALL, GOOD, GOODMAN, GRUCELA, HARRIS, HERMAN, HERSHEY, HESS, HUTCHINSON, KAUFFMAN, KILLION, LEDERER, LEH, MACKERETH, MAHER, MAJOR, McILHATTAN, McNAUGHTON, METCALFE, MILLARD, MUSTIO, NAILOR, O'NEILL, PETRARCA, PHILLIPS, PICKETT, PISTELLA, PYLE, READSHAW, REICHLEY, ROBERTS, ROHRER, RUBLEY, SAINATO, SATHER, SCAVELLO, SCHRODER, SHANER, B. SMITH, SOLOBAY, STERN, R. STEVENSON, E. Z. TAYLOR, THOMAS, TURZAI, WANSACZ, WASHINGTON, WATSON, WILT, YEWCIC, YOUNGBLOOD AND ZUG, MARCH 14, 2005

REFERRED TO COMMITTEE ON FINANCE, MARCH 14, 2005

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," further providing for inheritance tax and for  
11 estate tax.

12 The General Assembly of the Commonwealth of Pennsylvania  
13 hereby enacts as follows:

14 Section 1. Section 2116(a) of the act of March 4, 1971  
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended May  
16 24, 2000 (P.L.106, No.23), is amended to read:

17 Section 2116. Inheritance Tax.--(a) (1) Inheritance tax

1 upon the transfer of property passing to or for the use of [any  
2 of the following shall be at the rate of four and one-half per  
3 cent:

4 (i) grandfather, grandmother, father, mother, except  
5 transfers under subclause (1.2), and lineal descendants; or

6 (ii) wife or widow and husband or widower of a child.] a  
7 grandfather, grandmother, father, mother, except transfers under  
8 subclause (1.2), lineal descendants, wife or widow and husband  
9 or widower of a child shall be at the rate of:

10 (i) four and one-half per cent for the estate of a decedent  
11 dying before or during calendar year 2004.

12 (ii) four per cent for the estate of a decedent dying during  
13 calendar year 2005.

14 (iii) three per cent for the estate of a decedent dying  
15 during calendar year 2006.

16 (iv) two per cent for the estate of a decedent dying during  
17 calendar year 2007.

18 (v) one per cent for the estate of a decedent dying during  
19 calendar year 2008.

20 (vi) zero per cent for the estate of a decedent dying during  
21 or after calendar year 2009.

22 (1.1) Inheritance tax upon the transfer of property passing  
23 to or for the use of a husband or wife shall be:

24 (i) At the rate of three per cent for estates of decedents  
25 dying on or after July 1, 1994, and before January 1, 1995.

26 (ii) At a rate of zero per cent for estates of decedents  
27 dying on or after January 1, 1995.

28 (1.2) Inheritance tax upon the transfer of property from a  
29 child twenty-one years of age or younger to or for the use of a  
30 natural parent, an adoptive parent or a stepparent of the child

1 shall be at the rate of zero per cent.

2 (1.3) Inheritance tax upon the transfer of property passing  
3 to or for the use of a sibling shall be at the rate of twelve  
4 per cent.

5 (2) Inheritance tax upon the transfer of property passing to  
6 or for the use of all persons other than those designated in  
7 subclause (1), (1.1), (1.2) or (1.3) or exempt under section  
8 2111(m) shall be at the rate of [fifteen per cent.]:

9 (i) fifteen per cent for the estate of a decedent dying  
10 before or during calendar year 2004.

11 (ii) thirteen per cent for the estate of a decedent dying  
12 during calendar year 2005.

13 (iii) eleven per cent for the estate of a decedent dying  
14 during calendar year 2006.

15 (iv) nine per cent for the estate of a decedent dying during  
16 calendar year 2007.

17 (v) seven per cent for the estate of a decedent dying during  
18 calendar year 2008.

19 (vi) five per cent for the estate of a decedent dying during  
20 calendar year 2009.

21 (vii) three per cent for the estate of a decedent dying  
22 during calendar year 2010.

23 (viii) zero per cent for the estate of a decedent dying  
24 during or after calendar year 2011.

25 (3) When property passes to or for the use of a husband and  
26 wife with right of survivorship, one of whom is taxable at a  
27 rate lower than the other, the lower rate of tax shall be  
28 applied to the entire interest.

29 \* \* \*

30 Section 2. Section 2117 of the act, amended December 23,

1 2003 (P.L.250, No.46), is amended to read:

2 Section 2117. Estate Tax.--(a) In the event that a Federal  
3 estate tax is payable to the Federal Government on the transfer  
4 of the taxable estate of a decedent who was a resident of this  
5 Commonwealth at the time of his death, and the inheritance tax,  
6 if any, actually paid to the Commonwealth by reason of the death  
7 of the decedent (disregarding interest or the amount of any  
8 discount allowed under section 2142) is less than the maximum  
9 credit for State death taxes allowable under section 2011 of the  
10 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
11 2011), a tax equal to the difference is imposed. If a resident  
12 decedent owned or had an interest in real property or tangible  
13 personal property having a situs in another state, the tax so  
14 imposed shall be reduced by the greater of:

15 (1) the amount of death taxes actually paid to the other  
16 state with respect to the estate of the decedent, excluding any  
17 death tax expressly imposed to receive the benefit of the credit  
18 for state death taxes allowed under section 2011 of the Internal  
19 Revenue Code of 1986 (26 U.S.C. § 2011); or

20 (2) an amount computed by multiplying the maximum credit for  
21 state death taxes allowable under section 2011 of the Internal  
22 Revenue Code of 1986 (26 U.S.C. § 2011) by a fraction, the  
23 numerator of which is the value of the real property and  
24 tangible personal property to the extent included in the  
25 decedent's gross estate for Federal estate tax purposes and  
26 having a situs in the other state and the denominator of which  
27 is the value of the decedent's gross estate for Federal estate  
28 tax purposes.

29 (b) In the event that a Federal estate tax is payable to the  
30 Federal Government on the transfer of the taxable estate of a

1 decedent who was not a resident of this Commonwealth at the time  
2 of his death but who owned or had an interest in real property  
3 or tangible personal property having a situs in this  
4 Commonwealth, a tax is imposed in an amount computed by  
5 multiplying the maximum credit for State death taxes allowable  
6 under section 2011 of the Internal Revenue Code of 1986 (26  
7 U.S.C. § 2011) by a fraction, the numerator of which is the  
8 value of the real property and tangible personal property to the  
9 extent included in the decedent's gross estate for Federal  
10 estate tax purposes having a situs in this Commonwealth and the  
11 denominator of which is the value of the decedent's gross estate  
12 for Federal estate tax purposes, and deducting from that  
13 amount the inheritance tax, if any, actually paid to the  
14 Commonwealth (disregarding interest or the amount of any  
15 discount allowed under section 2142).]

16 (c) When an inheritance tax is imposed after an estate tax  
17 imposed under subsection (a) or (b) has been paid, the estate  
18 tax paid shall be credited against any inheritance tax later  
19 imposed.

20 Section 3. This act shall take effect immediately.