
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 580 Session of
2015

INTRODUCED BY GORDNER, SCARNATI, BROWNE, MENSCH, COSTA, VOGEL,
SCHWANK, YAW, YUDICHAK, FOLMER, STEFANO, VULAKOVICH, AUMENT,
WHITE, VANCE, RAFFERTY AND TEPLITZ, MARCH 6, 2015

REFERRED TO FINANCE, MARCH 6, 2015

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," in inheritance tax, further providing for
11 definitions and for transfers not subject to tax.

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

14 Section 1. The definition of "business of agriculture" in
15 section 2102 of the act of March 4, 1971 (P.L.6, No.2), known as
16 the Tax Reform Code of 1971, added July 2, 2012 (P.L.751,
17 No.85), is amended and the section is amended by adding
18 definitions to read:

19 Section 2102. Definitions.--The following words, terms and
20 phrases, when used in this article, shall have the meanings
21 ascribed to them in this section, except where the context
22 clearly indicates a different meaning:

1 * * *

2 "Business of agriculture." The term shall include the
3 leasing to members of the same family or the leasing to a
4 [corporation or association] family farm business or family farm
5 trust owned by members of the same family of property which is
6 directly and principally used for agricultural purposes. The
7 business of agriculture shall not be deemed to include:

8 (1) recreational activities such as, but not limited to,
9 hunting, fishing, camping, skiing, show competition or racing;

10 (2) the raising, breeding or training of game animals or
11 game birds, fish, cats, dogs or pets or animals intended for use
12 in sporting or recreational activities;

13 (3) fur farming;

14 (4) stockyard and slaughterhouse operations; or

15 (5) manufacturing or processing operations of any kind.

16 * * *

17 "Family farm business." As defined in section 1101-C.

18 "Family farm trust." A trust in which at least seventy-five
19 per cent of its assets are devoted to the business of
20 agriculture and in which at least seventy-five per cent of the
21 trust's beneficiary interests that are current interests are
22 continuously held by members of the same family.

23 * * *

24 Section 2. Section 2111(s) of the act, added July 2, 2012
25 (P.L.751, No.85), is amended and the section is amended by
26 adding a subsection to read:

27 Section 2111. Transfers Not Subject to Tax.--* * *

28 (s) A transfer of an interest in real estate devoted to the
29 business of agriculture between members of the same family or
30 the decedent and a family farm business or family farm trust in

1 which at least seventy-five per cent of the ownership or
2 beneficial ownership is held by members of the same family as
3 the decedent, provided that after the transfer the real estate
4 continues to be devoted to the business of agriculture for a
5 period of seven years beyond the transferor's date of death and
6 the real estate derives a yearly gross income of at least two
7 thousand dollars (\$2,000), provided that:

8 (1) Any tract of land under this article which is no longer
9 devoted to the business of agriculture within seven years beyond
10 the transferor's date of death shall be subject to inheritance
11 tax due the Commonwealth under section 2107, in the amount that
12 would have been paid or payable on the basis of valuation
13 authorized under section 2121 for nonexempt transfers of
14 property, plus interest thereon accruing as of the transferor's
15 date of death, at the rate established in section 2143.

16 (2) Any tax imposed under section 2107 shall be a lien in
17 favor of the Commonwealth upon the property no longer being
18 devoted to agricultural use, collectible in the manner provided
19 for by law for the collection of delinquent real estate taxes,
20 as well as the personal obligation of the owner of the property
21 at the time of the change of use.

22 (3) Every owner of real estate exempt under this subsection
23 shall certify to the department on an annual basis that the land
24 qualifies for this exemption and shall notify the department
25 within thirty days of any transaction or occurrence causing the
26 real estate to fail to qualify for the exemption. Each year the
27 department shall inform all owners of their obligation to
28 provide an annual certification under this subclause. This
29 certification and notification shall be completed in the form
30 and manner as provided by the department.

1 * * *

2 (s.2) (1) A transfer of a qualified interest in a family
3 farm business or a family farm trust to one or more qualified
4 farm transferees is exempt from inheritance tax if the qualified
5 interest:

6 (i) continues to be owned by a qualified transferee for a
7 minimum of seven years after the decedent's date of death; and

8 (ii) is reported on a timely filed inheritance tax return.

9 (2) A qualified interest in a family farm business or family
10 farm trust exempted under this subsection that is no longer
11 owned by a qualified transferee at any time within seven years
12 after the decedent's date of death shall be subject to
13 inheritance tax owed to the Commonwealth under section 2107, in
14 an amount equal to the inheritance tax that would have been paid
15 or payable on the value of the family farm business or family
16 farm trust interest using the valuation authorized under section
17 2121 for nonexempt transfers of property. Interest shall accrue
18 from the payment date established under section 2142 at the rate
19 established under section 2143.

20 (3) Inheritance tax due under section 2107 as a result of a
21 disqualification under paragraph (2) or (4), plus interest on
22 the inheritance tax, shall be a lien in favor of the
23 Commonwealth on the real and personal property of the owner of
24 the qualified family farm business or family farm trust at the
25 time of the transaction or occurrence that disqualified the
26 interest from the exemption under this subsection. The
27 inheritance tax due and the interest shall be collectible in the
28 manner provided for by law for the collection of delinquent
29 taxes and shall be the personal obligation of the owner of the
30 qualified interest at the time of the transaction or occurrence

1 that disqualified the qualified interest from the exemption
2 under this subsection. The lien shall remain until the
3 inheritance tax and accrued interest are paid in full.

4 (4) Each owner of a qualified interest in a family farm
5 business or family farm trust exempted from inheritance tax
6 under this subsection shall certify to the department, on an
7 annual basis for seven years after the decedent's date of death,
8 that the qualified interest continues to be owned by a qualified
9 transferee and shall notify the department within thirty days of
10 any transaction or occurrence causing the qualified interest to
11 fail to qualify for the exemption. Each year, the department
12 shall inform all owners of a qualified interest exempted from
13 inheritance tax under this subsection of the obligation to
14 provide an annual certification under this paragraph. The
15 certification and notification shall be completed in the form
16 and manner as provided by the department. An owner's failure to
17 comply with the certification or notification requirements shall
18 result in the loss of the exemption and the qualified interest
19 shall be subject to inheritance tax due the Commonwealth under
20 section 2107, in an amount equal to the inheritance tax that
21 would have been paid or payable on the value of the qualified
22 interest using the valuation authorized under section 2121 for
23 nonexempt transfers of property. Interest shall accrue from the
24 payment date established in section 2142 at the rate established
25 in section 2143.

26 (5) The following words and phrases when used in this
27 section shall have the meanings given to them in this subsection
28 unless the context clearly indicates otherwise:

29 (i) "Qualified farm transferee." Includes any of the
30 following:

1 (A) A member of the same family as the decedent.

2 (B) One or more trusts or series of trusts in which the
3 beneficiary interests that are current interests are held by
4 members of the same family as the decedent.

5 (C) One or more legal entities or series of legal entities
6 in which the ownership interests are held by members of the same
7 family as the decedent.

8 (ii) "Qualified interest in a family farm business or family
9 farm trust." An ownership, beneficiary or other interest in a
10 family farm business or family farm trust engaged in the
11 business of agriculture, if:

12 (A) the entity has fewer than fifty full-time equivalent
13 employees as of the date of the decedent's death; and

14 (B) the entity has a net book value of assets totaling less
15 than five million dollars (\$5,000,000) as of the date of the
16 decedent's death.

17 * * *

18 Section 3. The amendment of sections 2102 and 2111 of the
19 act shall apply to taxes filed on or after July 1, 2013.

20 Section 4. This act shall take effect in 60 days.