
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 77 Session of 2019

INTRODUCED BY ROTHMAN, GREINER, GROVE, RYAN, DIAMOND, PETRARCA,
McNEILL, NEILSON, MACKENZIE, SAYLOR, SIMMONS, DUNBAR,
MILLARD, BARRAR, DeLUCA, JOZWIAK, LAWRENCE, PICKETT,
CALTAGIRONE, B. MILLER, GABLER AND WHITE, JANUARY 28, 2019

REFERRED TO COMMITTEE ON FINANCE, JANUARY 28, 2019

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," repealing provisions relating to inheritance tax;
11 in procedure and administration, further providing for
12 petition for reassessment; and, in governmental obligations,
13 further providing for taxability of government obligations.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Article XXI of the act of March 4, 1971 (P.L.6,
17 No.2), known as the Tax Reform Code of 1971, is repealed:

18 [ARTICLE XXI

19 INHERITANCE TAX

20 PART I

21 PRELIMINARY PROVISIONS

22 Section 2101. Short Title.--This article shall be known and

1 may be cited as the "Inheritance and Estate Tax Act."

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

6 "Adverse interest." A substantial beneficial interest in the
7 property transferred which might be adversely affected by the
8 exercise or nonexercise of the power or right reserved or
9 possessed by the transferor.

10 "Business of agriculture." The term shall include the
11 leasing to members of the same family or the leasing to a
12 corporation or association owned by members of the same family
13 of property which is directly and principally used for
14 agricultural purposes. The business of agriculture shall not be
15 deemed to include:

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

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

21 (3) fur farming;

22 (4) stockyard and slaughterhouse operations; or

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

24 "Children." Includes natural children whether or not they
25 have been adopted by others, adopted children and stepchildren.

26 "Clerk." The clerk of the orphans' court division of the
27 court of common pleas having jurisdiction.

28 "Court." The orphans' court division of the court of common
29 pleas of:

30 (1) The county in which the decedent resided at the time of

1 his death.

2 (2) The county in which letters, if any, are granted if the
3 decedent was a nonresident of this Commonwealth.

4 (3) Dauphin County in all other cases.

5 "Date of death." The date of actual death or, in the case of
6 a presumed decedent, the date found by the final decree to be
7 the date of the absentee's presumed death. For the purpose of
8 determining interest and discount, "date of death" means the
9 date upon which the court enters its final decree of presumptive
10 death.

11 "Death taxes." Includes inheritance, succession, transfer
12 and estate taxes and any other taxes levied against the estate
13 of a decedent by reason of his death.

14 "Decedent" or "transferor." Any person by or from whom a
15 transfer is made and includes any testator, intestate, grantor,
16 settlor, bargainer, vendor, assignor, donor, joint tenant and
17 insured.

18 "Department." The Department of Revenue of the Commonwealth.

19 "Exemption income." All moneys or property, including,
20 without limitation, interest, gains or income derived from
21 obligations which are statutorily free from State or local
22 taxation under any other Federal or State laws, received of
23 whatever nature and from whatever source derived.

24 "Financial institution." A bank, a national banking
25 association, a bank and trust company, a trust company, a
26 savings and loan association, a building and loan association, a
27 mutual savings bank, a credit union, a savings bank and a
28 company that rents safe deposit boxes.

29 "Future interest." Includes a successive life interest and a
30 successive interest for a term certain.

1 "Lineal descendants." All children of the natural parents
2 and their descendants, whether or not they have been adopted by
3 others, adopted descendants and their descendants and
4 stepdescendants.

5 "Members of the same family." Any individual, such
6 individual's brothers and sisters, the brothers and sisters of
7 such individual's parents and grandparents, the ancestors and
8 lineal descendants of any of the foregoing, a spouse of any of
9 the foregoing and the estate of any of the foregoing.

10 Individuals related by the half blood or legal adoption shall be
11 treated as if they were related by the whole blood. For a
12 transfer made by a surviving spouse, the term shall include any
13 individual considered to be a member of the same family of the
14 decedent spouse.

15 "Notice." Written notice.

16 "Presumed decedent." A person found to be presumptively dead
17 under the provisions of 20 Pa.C.S. Ch. 57 (relating to absentees
18 and presumed decedents) or, if a nonresident of this
19 Commonwealth, under the laws of his domicile.

20 "Property" or "estate." Includes the following:

21 (1) All real property and all tangible personal property of
22 a resident decedent or transferor having its situs in this
23 Commonwealth.

24 (2) All intangible personal property of a resident decedent
25 or transferor.

26 (3) All real property and all tangible personal property of
27 a resident decedent having its situs outside this Commonwealth,
28 which the decedent had contracted to sell, provided the
29 jurisdiction in which the property has its situs does not
30 subject it to death tax.

1 (4) All real property and all tangible personal property of
2 a nonresident decedent or transferor having its situs in this
3 Commonwealth, including property held in trust.

4 (5) A liquor license issued by the Commonwealth.

5 "Register." The register of wills having jurisdiction to
6 grant letters testamentary or of administration in the estate of
7 the decedent or transferor.

8 "Safe deposit box of a decedent." A safe deposit box in a
9 financial institution located within this Commonwealth in the
10 name of the decedent alone or in the names of the decedent and
11 one or more persons other than the spouse of the decedent.

12 "Secretary." The Secretary of Revenue of the Commonwealth.

13 "Sibling." An individual who has at least one parent in
14 common with the decedent, whether by blood or by adoption.

15 "Territory." Includes the District of Columbia and all
16 possessions of the United States.

17 "Transfer." Includes the passage of ownership of property,
18 or interest in property or income from property, in possession
19 or enjoyment, present or future, in trust or otherwise.

20 "Transferee." Any person to whom a transfer is made and
21 includes any legatee, devisee, heir, next of kin, grantee,
22 beneficiary, vendee, assignee, donee, surviving joint tenant and
23 insurance beneficiary.

24 "Transfer of property for the sole use." A transfer to or
25 for the use of a transferee if, during the transferee's
26 lifetime, the transferee is entitled to all income and principal
27 distributions from the property and no person, including the
28 transferee, possesses an inter vivos power of appointment over
29 the property.

30 "Value." The price at which the property would be sold by a

1 willing seller, not compelled to sell, to a willing buyer, not
2 compelled to buy, both of whom have reasonable knowledge of the
3 relevant facts. In determining the value of property, no
4 reduction shall be made on account of income, excise or other
5 taxes which may become payable subsequent to the valuation date
6 by the transferee or out of the property. Value as to land in
7 agricultural use, agricultural reserve or forest reserve means
8 the value which the land has for its particular use according to
9 the standards provided in section 2122.

10 Section 2103. Powers of Department.--(a) The department may
11 adopt and enforce rules and regulations for the just
12 administration of this article.

13 (b) The department shall have complete supervision of the
14 making of appraisements, the allowance of deductions and the
15 assessment of tax, including, but not limited to, the power to
16 regulate the actions of registers in the allowance and
17 disallowance of deductions and assessment of tax. The
18 department's supervision of the making of appraisements includes
19 the employment and compensation of investigators, appraisers and
20 expert appraisers. The compensation of investigators, appraisers
21 and expert appraisers shall be paid from the inheritance tax
22 collections in the respective counties.

23 (c) The department shall, in the event that the register
24 fails to take the necessary proceedings in connection with the
25 appraisal, allowance of deductions, assessment of tax or
26 collection of tax, have all the powers vested in the register in
27 this article and, at its option, may take the necessary action
28 and shall charge to the register and deduct from any commissions
29 or fees otherwise due him all costs and expenses incurred by the
30 department in connection with the proceedings.

PART II

TRANSFERS SUBJECT TO TAX

Section 2106. Imposition of Tax.--An inheritance tax for the use of the Commonwealth is imposed upon every transfer subject to tax under this article at the rates specified in section 2116.

Section 2107. Transfers Subject to Tax.--(a) The transfers enumerated in this section are subject to the tax imposed by section 2106.

(b) All transfers of property by will, by the intestate laws of this Commonwealth or, in the case of a transfer from a nonresident, by the laws of succession of another jurisdiction are subject to tax. The transfer of property of a person determined by decree of a court of competent jurisdiction to be a presumed decedent is subject to tax within the meaning of this section and section 2108.

(c) (1) All transfers of property specified in subclauses (3) through (7) which are made by a resident or a nonresident during his lifetime are subject to tax to the extent that they are made without valuable and adequate consideration in money or money's worth at the time of transfer.

(2) When the decedent retained or reserved an interest or power with respect to only a part of the property transferred, in consequence of which a tax is imposed under subclauses (4) through (7), the amount of the taxable transfer is only the value of that portion of the property transferred which is subject to the retained or reserved interest or power.

(3) A transfer conforming to subclause (1) and made within one year of the death of the transferor is subject to tax only to the extent that the value at the time of the transfer or

1 transfers in the aggregate to or for the benefit of the
2 transferee exceeds three thousand dollars (\$3,000) during any
3 calendar year.

4 (4) A transfer conforming to subclause (1) which takes
5 effect in possession or enjoyment at or after the death of the
6 transferor and under which the transferor has retained a
7 reversionary interest in the property, the value of which
8 interest immediately before the death of the transferor exceeds
9 five per cent of the value of the property transferred, is
10 subject to tax. The term "reversionary interest" includes a
11 possibility that property transferred may return to the
12 transferor or his estate or may be subject to a power of
13 disposition by him, but the term does not include a possibility
14 that the income alone from the property may return to him or
15 become subject to a power of disposition by him.

16 (5) A transfer conforming to subclause (1), and under which
17 the transferor expressly or impliedly reserves for his life or
18 any period which does not in fact end before his death, the
19 possession or enjoyment of, or the right to the income from, the
20 property transferred, or the right, either alone or in
21 conjunction with any person not having an adverse interest, to
22 designate the persons who shall possess or enjoy the property
23 transferred or the income from the property, is subject to tax.

24 (6) A transfer conforming to subclause (1), and under which
25 the transferee promises to make payments to, or for the benefit
26 of, the transferor or to care for the transferor during the
27 remainder of the transferor's life, is subject to tax.

28 (7) A transfer conforming to subclause (1), and under which
29 the transferor has at his death, either in himself alone or in
30 conjunction with any person not having an adverse interest, a

1 power to alter, amend or revoke the interest of the beneficiary,
2 is subject to tax. Similarly, the relinquishment of such a power
3 within one year of the death of the transferor is a transfer
4 subject to tax except as otherwise provided in subclause (3).

5 (d) All succeeding interests which follow the interest of a
6 surviving spouse in a trust or similar arrangement, to the
7 extent specified in section 2113, are transfers subject to tax
8 as if the surviving spouse were the transferor.

9 Section 2108. Joint Tenancy.--(a) When any property is held
10 in the names of two or more persons or is deposited in a
11 financial institution in the names of two or more persons so
12 that, upon the death of one of them, the survivor or survivors
13 have a right to the immediate ownership or possession and
14 enjoyment of the whole property, the accrual of such right, upon
15 the death of one of them, shall be deemed a transfer subject to
16 tax of a fractional portion of such property to be determined by
17 dividing the value of the whole property by the number of joint
18 tenants in existence immediately preceding the death of the
19 deceased joint tenant.

20 (b) Except as provided in subsection (c), this section shall
21 not apply to property or interests in property passing by right
22 of survivorship to the survivor of husband and wife.

23 (c) If the co-ownership was created within one year prior to
24 the death of the co-tenant, the entire interest transferred
25 shall be subject to tax only under, and to the extent stated in,
26 subsection (c) (3) of section 2107 as though a part of the estate
27 of the person who created the co-ownership.

28 PART III

29 TRANSFERS NOT SUBJECT TO TAX

30 Section 2111. Transfers Not Subject to Tax.--(a) The

1 transfers enumerated in this section are not subject to the tax
2 imposed by this article.

3 (b) Transfers of property to or for the use of any of the
4 following are exempt from inheritance tax:

5 (1) The United States of America.

6 (2) The Commonwealth of Pennsylvania.

7 (3) A political subdivision of the Commonwealth of
8 Pennsylvania.

9 (c) Transfers of property to or for the use of any of the
10 following are exempt from inheritance tax:

11 (1) Any corporation, unincorporated association or society
12 organized and operated exclusively for religious, charitable,
13 scientific, literary or educational purposes, including the
14 encouragement of art and the prevention of cruelty to children
15 or animals, no part of the net earnings of which inures to the
16 benefit of any private stockholder or individual and no
17 substantial part of the activities of which is carrying on
18 propaganda or otherwise attempting to influence legislation.

19 (2) Any trustee or trustees or any fraternal society, order
20 or association operating under the lodge system, but only if the
21 property transferred is to be used by the trustee or trustees or
22 by the fraternal society, order or association exclusively for
23 religious, charitable, scientific, literary or educational
24 purposes or for the prevention of cruelty to children or
25 animals, and no substantial part of the activities of the
26 trustee or trustees or of the fraternal society, order or
27 association is carrying on propaganda or otherwise attempting to
28 influence legislation.

29 (3) Any veterans' organization incorporated by act of
30 Congress or its departments or local chapters or posts, no part

1 of the net earnings of which inures to the benefit of any
2 private shareholder or individual.

3 (d) All proceeds of insurance on the life of the decedent
4 are exempt from inheritance tax. Refunds of unearned premiums
5 for the current policy period and post mortem dividends shall be
6 considered exempt proceeds.

7 (e) All proceeds of any Federal War Risk Insurance, National
8 Service Life Insurance or similar governmental insurance are
9 exempt from inheritance tax. Refunds of unearned premiums for
10 the current policy period and post mortem dividends shall be
11 considered exempt proceeds.

12 (f) The pay and allowances determined by the United States
13 to be due a member of its armed forces for service in the
14 Vietnam conflict after August 5, 1964, for the period between
15 the date declared by it as the beginning of his missing-in-
16 action status to the date determined by it to be the date of his
17 death, are exempt from inheritance tax.

18 (g) Inter vivos transfers as defined in subsection (c) of
19 section 2107 which might otherwise be subject to inheritance tax
20 are exempt where the transferee is a governmental body as
21 provided in subsection (b) or a charity as provided in
22 subsection (c).

23 (h) Intangible personal property held by, for or for the
24 benefit of a decedent who, at the time of his death, was a
25 nonresident is exempt from inheritance tax.

26 (i) A transfer made as an advancement of or on account of an
27 intestate share or in satisfaction or partial satisfaction of a
28 gift by will, but not within the meaning of subsection (c) (3) of
29 section 2107, is exempt from inheritance tax.

30 (j) Adjusted service certificates issued under the act of

1 Congress of May 19, 1924, and adjusted service bonds issued
2 under the act of Congress of January 27, 1936, are exempt from
3 inheritance tax.

4 (k) Property subject to a power of appointment, whether or
5 not the power is exercised, and notwithstanding any blending of
6 such property with the property of the donee, is exempt from
7 inheritance tax in the estate of the donee of the power of
8 appointment.

9 (l) Property awarded to the Commonwealth as statutory heir
10 by escheat or without escheat, otherwise than as custodian for a
11 known distributee, is exempt from inheritance tax. Inheritance
12 tax shall be deducted at the applicable rate without interest
13 from any such exempt funds thereafter distributed by the
14 Commonwealth.

15 (m) Property owned by husband and wife with right of
16 survivorship is exempt from inheritance tax. If the ownership
17 was created within the meaning of section 2107(c)(3), the entire
18 interest transferred shall be subject to tax under section
19 2107(c)(3) as though a part of the estate of the spouse who
20 created the co-ownership.

21 (n) Property held in the name of a decedent who had no
22 beneficial interest in the property is exempt from inheritance
23 tax.

24 (o) Obligations owing to the decedent which are worthless
25 immediately before death are exempt from inheritance tax
26 although collectible from the obligor's distributive share of
27 the estate.

28 (p) The lump-sum death payment from the Social Security
29 Administration or Veterans' Administration or any county
30 veterans' death benefit or other similar death benefit, whether

1 or not paid to the decedent's estate, is exempt from inheritance
2 tax.

3 (q) The lump-sum burial benefit from the United States
4 Railroad Retirement Board, whether or not paid to the decedent's
5 estate, is exempt from inheritance tax.

6 (r) Payments under pension, stock bonus, profit-sharing and
7 other retirement plans, including H.R.10 plans, individual
8 retirement accounts, individual retirement annuities and
9 individual retirement bonds to distributees designated by the
10 decedent or designated in accordance with the terms of the plan,
11 are exempt from inheritance tax to the extent that the decedent
12 before his death did not otherwise have the right to possess
13 (including proprietary rights at termination of employment),
14 enjoy, assign or anticipate the payment made. In addition to
15 this exemption, whether or not the decedent possessed any of
16 these rights, the payments are exempt from inheritance tax to
17 the same extent that they are exempt from Federal estate tax
18 under the provisions of the Internal Revenue Code of 1986
19 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as amended, any
20 supplement to the code or any similar provision in effect from
21 time to time for Federal estate tax purposes, except that a
22 payment which would otherwise be exempt for Federal estate tax
23 purposes if it had not been made in a lump-sum or other
24 nonexempt form of payment shall be exempt from inheritance tax
25 even though paid in a lump-sum or other form of payment. The
26 proceeds of life insurance otherwise exempt under subsection (d)
27 shall not be subject to inheritance tax because they are paid
28 under a pension, stock bonus, profit-sharing, H.R.10 or other
29 retirement plan.

30 (s) A transfer of real estate devoted to the business of

1 agriculture to or for the benefit of members of the same family,
2 provided that after the transfer the real estate continues to be
3 devoted to the business of agriculture for a period of seven
4 years beyond the transferor's date of death, the real estate
5 derives a yearly gross income of at least two thousand dollars
6 (\$2,000) and the real estate is reported on a timely filed
7 inheritance tax return, 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 or does not derive a yearly gross
11 income of at least two thousand dollars (\$2,000) shall be
12 subject to inheritance tax due the Commonwealth under section
13 2107, in the amount that would have been paid or payable on the
14 basis of valuation authorized under section 2121 for nonexempt
15 transfers of property, plus interest thereon accruing as of the
16 transferor's date of death, at the rate established in section
17 2143.

18 (2) Any tax imposed under section 2107 shall be a lien in
19 favor of the Commonwealth upon the property no longer being
20 devoted to the business of agriculture or which does not derive
21 a yearly gross income of at least two thousand dollars (\$2,000),
22 as well as the personal obligation of the owner of the property
23 at the time of the event causing the property to fail to qualify
24 for exemption and all beneficiaries of any trust that is an
25 owner of the property. Liability for the tax shall be joint and
26 several.

27 (3) Every owner of real estate exempt under this subsection
28 shall certify to the department on an annual basis that the land
29 qualifies for this exemption and shall notify the department
30 within thirty days of any transaction or occurrence causing the

1 real estate to fail to qualify for the exemption. Each year the
2 department shall inform all owners of their obligation to
3 provide an annual certification under this subclause. This
4 certification and notification shall be completed in the form
5 and manner as provided by the department.

6 (s.1) A transfer of an agricultural commodity, agricultural
7 conservation easement, agricultural reserve, agricultural use
8 property or a forest reserve, as those terms are defined in
9 section 2122(a), to or for the benefit of lineal descendants or
10 siblings is exempt from inheritance tax, provided the foregoing
11 property is reported on a timely filed inheritance tax return.

12 (t) A qualified family-owned business. The following shall
13 apply:

14 (1) A transfer of a qualified family-owned business interest
15 to or for the benefit of members of the same family is exempt
16 from inheritance tax if the qualified family-owned business
17 interest:

18 (i) continues to be owned by members of the same family or a
19 trust whose beneficiaries are comprised solely of members of the
20 same family for a minimum of seven years after the decedent's
21 date of death; and

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

23 (2) A qualified family-owned business interest that was
24 exempted from inheritance tax under this subsection that is no
25 longer owned by members of the same family or a trust whose
26 beneficiaries are comprised solely of members of the same family
27 at any time within seven years after the decedent's date of
28 death shall be subject to inheritance tax due the Commonwealth
29 under section 2107, in an amount equal to the inheritance tax
30 that would have been paid or payable on the value of the

1 qualified family-owned business interest using the valuation
2 authorized under section 2121 for nonexempt transfers of
3 property. Interest shall accrue from the payment date
4 established under section 2142 at the rate established under
5 section 2143.

6 (2.1) The exemption under this subsection shall not apply to
7 property transferred by the decedent into the qualified family-
8 owned business within one year of the death of the decedent
9 unless the property was transferred for a legitimate business
10 purpose.

11 (3) Inheritance tax due under section 2107 as a result of
12 disqualification under paragraphs (2) or (4), plus interest on
13 the inheritance tax, shall be a lien in favor of the
14 Commonwealth on the real and personal property of the owner of
15 the qualified family-owned business interest at the time of the
16 transaction or occurrence that disqualified the qualified
17 family-owned business interest from the exemption provided under
18 this subsection. The inheritance tax due and interest shall be
19 the personal obligation of the owner of the qualified family-
20 owned business interest at the time of the transaction or
21 occurrence that disqualified the qualified family-owned business
22 interest from the exemption provided under this subsection and
23 all beneficiaries of any trust that is an owner of the qualified
24 family-owned business interest. Liability for the tax shall be
25 joint and several. The lien shall remain until the inheritance
26 tax and accrued interest are paid in full.

27 (4) Each owner of a qualified family-owned business interest
28 exempted from inheritance tax under this subsection shall
29 certify to the department, on an annual basis, for seven years
30 after the decedent's date of death, that the qualified family-

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

22 (5) For purposes of this subsection, the term "qualified
23 family-owned business interest" shall be as follows:

24 (i) an interest as a proprietor in a trade or business
25 carried on as a proprietorship, if the proprietorship has fewer
26 than fifty full-time equivalent employees as of the date of the
27 decedent's death, the proprietorship has a net book value of
28 assets totaling less than five million dollars (\$5,000,000) as
29 of the date of the decedent's death and has been in existence
30 for five years prior to the date of the decedent's death; or

1 (ii) an interest in an entity carrying on a trade or
2 business, if:

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

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

8 (C) as of the date of the decedent's death, the entity is
9 wholly owned by the decedent, by the decedent and members of the
10 same family, by a trust whose beneficiaries are comprised solely
11 of members of the same family or by an entity that is owned
12 solely by members of the same family;

13 (D) the entity is engaged in a trade or business the
14 principal purpose of which is not the management of investments
15 or income-producing assets owned by the entity; and

16 (E) the entity has been in existence for five years prior to
17 the decedent's date of death.

18 "Qualified transferee." A decedent's:

19 (i) husband or wife;

20 (ii) lineal descendants;

21 (iii) siblings and the sibling's lineal descendants; and

22 (iv) ancestors and the ancestor's siblings.

23 Section 2113. Trusts and Similar Arrangements for Spouses.--

24 (a) In the case of a transfer of property for the sole use of
25 the transferor's surviving spouse during the surviving spouse's
26 entire lifetime, all succeeding interests which follow the
27 interest of the surviving spouse shall not be subject to tax as
28 transfers by the transferor if the transfer was made by a
29 decedent dying on or after January 1, 1995, provided that the
30 transferor's personal representative may elect, on a timely

1 filed inheritance tax return, to have this section not apply to
2 a trust or similar arrangement or portion of a trust or similar
3 arrangement.

4 (b) Succeeding interests not subject to tax as transfers by
5 the transferor by reason of subsection (a) shall be deemed to be
6 transfers subject to tax by the surviving spouse of the property
7 held in the trust or similar arrangement at the death of the
8 surviving spouse. The tax on that property shall be based upon
9 its value at the death of the surviving spouse, the tax rates
10 applicable to dispositions by the surviving spouse or by the
11 transferor, whichever are lower, and any exemptions relating to
12 the kind or location of property held in the trust or similar
13 arrangement at the surviving spouse's death.

14 (c) Subsection (b) shall apply even if the succeeding
15 interests not subject to tax as transfers by the transferor by
16 reason of subsection (a) were also not subject to tax by reason
17 of an exemption based upon the kind or location of property at
18 the transferor's death.

19 (d) This section shall not apply to inter vivos transfers
20 otherwise exempt from inheritance tax.

21 PART IV

22 RATE OF TAX

23 Section 2116. Inheritance Tax.--(a) (1) Inheritance tax
24 upon the transfer of property passing to or for the use of any
25 of the following shall be at the rate of four and one-half per
26 cent:

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

29 (ii) wife or widow and husband or widower of a child.

30 (1.1) Inheritance tax upon the transfer of property passing

1 to or for the use of a husband or wife shall be:

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

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

6 (1.2) Inheritance tax upon the transfer of property from a
7 child twenty-one years of age or younger to or for the use of a
8 natural parent, an adoptive parent or a stepparent of the child
9 shall be at the rate of zero per cent.

10 (1.3) Inheritance tax upon the transfer of property passing
11 to or for the use of a sibling shall be at the rate of twelve
12 per cent.

13 (2) Inheritance tax upon the transfer of property passing to
14 or for the use of all persons other than those designated in
15 subclause (1), (1.1), (1.2) or (1.3) or exempt under section
16 2111(m) shall be at the rate of fifteen per cent.

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

21 (b) (1) When the decedent was a resident, the tax shall be
22 computed upon the value of the property, in excess of the
23 deductions specified in Part VI, at the rates in effect at the
24 transferor's death.

25 (2) When the decedent was a nonresident, the tax shall be
26 computed upon the value of real property and tangible personal
27 property having its situs in this Commonwealth, in excess of
28 unpaid property taxes assessed on the property and any
29 indebtedness for which it is liened, mortgaged or pledged, at
30 the rates in effect at the transferor's death. The person liable

1 to make the return under section 2136 may elect to have the tax
2 computed as if the decedent was a resident and his entire estate
3 was property having its situs in this Commonwealth, and the tax
4 due shall be the amount which bears the same ratio to the tax
5 thus computed as the real property and tangible personal
6 property located in this Commonwealth bears to the entire estate
7 of the decedent.

8 (b.1) The inheritance tax due upon the transfer of property
9 passing to or for the use of a husband or wife shall be the
10 lesser of the tax imposed under subsection (a)(1.1) or the tax
11 due after the allowance of the credit provided for under section
12 2112.

13 (c) When any person entitled to a distributive share of an
14 estate, whether under an inter vivos trust, a will or the
15 intestate law, renounces his right to receive the distributive
16 share receiving therefor no consideration, or exercises his
17 elective rights under 20 Pa.C.S. Ch. 22 (relating to elective
18 share of surviving spouse) receiving therefor no consideration
19 other than the interest in assets passing to him as the electing
20 spouse, the tax shall be computed as though the persons who
21 benefit by such renunciation or election were originally
22 designated to be the distributees, conditioned upon an
23 adjudication or decree of distribution expressly confirming
24 distribution to such distributees. The renunciation shall be
25 made within nine months after the death of the decedent. In the
26 case of a surviving spouse taking his elective share of an
27 estate, the renunciation shall be made within the time for
28 election and any extension thereof under 20 Pa.C.S. § 2210(b)
29 (relating to procedure for election; time limit). Notice of the
30 filing of the account and of its call for audit or confirmation

1 shall include notice of the renunciation or election to the
2 department. When an unconditional vesting of a future interest
3 does not occur at the decedent's death, the renunciation
4 specified in this subsection of the future interest may be made
5 within three months after the occurrence of the event or
6 contingency which resolves the vesting of the interest in
7 possession and enjoyment.

8 (d) In case of a compromise of a dispute regarding rights
9 and interests of transferees, made in good faith, the tax shall
10 be computed as though the persons so receiving distribution were
11 originally entitled to it as transferees of the property
12 received in the compromise, conditioned upon an adjudication or
13 decree of distribution expressly confirming distribution to such
14 distributees. Notice of the filing of the account and of its
15 call for audit or confirmation shall include notice to the
16 department.

17 (e) If the rate of tax which will be applicable when an
18 interest vests in possession and enjoyment cannot be established
19 with certainty, the department, after consideration of relevant
20 actuarial factors, valuations and other pertinent circumstances,
21 may enter into an agreement with the person responsible for
22 payment to establish a specified amount of tax which, when paid
23 within sixty days after the agreement, shall constitute full
24 payment of all tax otherwise due upon such transfer. Rights of
25 withdrawal of a surviving spouse not exercised within nine
26 months of the transferor's death shall be ignored in making such
27 calculations.

28 (f) Property subject to a power of appointment, whether or
29 not the power is exercised and notwithstanding any blending of
30 the property with the property of the donee, shall be taxed only

1 as part of the estate of the donor.

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 amount
13 the inheritance tax, if any, actually paid to the Commonwealth
14 (disregarding interest or the amount of any discount allowed
15 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 PART V

21 VALUATION

22 Section 2121. Valuation.--(a) Except as otherwise provided
23 in this part, the valuation date shall be the date of the
24 transferor's death. When the transfer was made during lifetime
25 and was not in trust, the property transferred shall be valued
26 at the transferor's death. When the transfer was to an inter
27 vivos trust, the property to be valued shall be that comprising
28 the portion of the trust, if any, which exists at the
29 transferor's death and which portion is traceable from property
30 the transfer of which is subject to tax under this article.

1 (b) The value of a life interest shall be determined in
2 accordance with rules and regulations promulgated by the
3 department. Until the promulgation of rules and regulations to
4 the contrary, the regulations in effect for Federal estate tax
5 purposes shall apply.

6 (c) The value of an interest for a term certain shall be
7 determined in accordance with rules and regulations promulgated
8 by the department. Until the promulgation of rules and
9 regulations to the contrary, the regulations in effect for
10 Federal estate tax purposes shall apply.

11 (d) If an annuity or a life estate is terminated by the
12 death of the annuitant or life tenant or by the happening of a
13 contingency within nine months after the death of the
14 transferor, the value of the annuity or estate shall be the
15 value, at the date of the transferor's death, of the amount of
16 the annuity or income actually paid or payable to the annuitant
17 or life tenant during the period he was entitled to the annuity
18 or was in possession of the estate. If an appraisal of an
19 annuity or life estate has been filed before the termination,
20 the appraisal and any assessment based on the appraisal
21 shall be revised in accordance with this section upon request of
22 any party in interest, including the Commonwealth and the
23 personal representative, insofar as the appraisal and any
24 assessment based on the appraisal relates to the valuation of
25 the terminated annuity or life estate, without the necessity of
26 the party in interest following any procedure described in Part
27 XI.

28 (e) The value of a future interest shall be determined in
29 accordance with rules and regulations promulgated by the
30 department. Until the promulgation of rules and regulations to

1 the contrary, the regulations in effect for Federal estate tax
2 purposes shall apply.

3 (f) When a decedent's property is subject, during his
4 lifetime and at the time of his death, to a binding option or
5 agreement to sell, the appraised value of the property shall not
6 exceed the amount of the established price payable for it
7 provided the option or agreement is a bona fide arrangement and
8 not a device to transfer the property for less than an adequate
9 and full consideration in money or money's worth. If the option
10 or agreement is not exercised and consummated, the value at
11 which the property is appraised shall not be limited to the
12 established price payable for the property, and it shall not
13 exceed the value of the property on the date of the transferor's
14 death. When tax has been assessed on the basis of an established
15 price and the option or agreement is not exercised and
16 consummated or an amount greater than the established price is
17 received for the property, the fiduciary or transferee shall
18 file a supplemental return reporting the facts.

19 Section 2122. Valuation of Certain Farmland.--(a) The
20 following words and phrases, when used in this section, shall
21 have the meaning ascribed to them in this section, except where
22 the context clearly indicates a different meaning:

23 "Agricultural commodity." Any and all plant and animal
24 products, including Christmas trees produced in this
25 Commonwealth for commercial purposes.

26 "Agricultural conservation easement." As defined in section
27 3 of the act of June 30, 1981 (P.L.128, No.43), known as the
28 "Agricultural Area Security Law."

29 "Agricultural reserve." Noncommercial open space lands used
30 for outdoor recreation or the enjoyment of scenic or natural

1 beauty and open to the public for such use, without charge or
2 fee, on a nondiscriminatory basis.

3 "Agricultural use." Use of the land for the purpose of
4 producing an agricultural commodity or when devoted to and
5 meeting the requirements and qualifications for payments or
6 other compensation pursuant to a soil conservation program under
7 an agreement with an agency of the Federal Government.

8 "Forest reserve." Land, ten acres or more, stocked by forest
9 trees of any size and capable of producing timber or other wood
10 products.

11 "Separation." A division, by conveyance or other action of
12 the owner, of lands devoted to agricultural use, agricultural
13 reserve or forest reserve and preferentially assessed under the
14 provisions of this section into two or more tracts of land which
15 continue to be agricultural use, agricultural reserve or forest
16 reserve and all tracts so formed meet the requirements of
17 section 3 of the act of December 19, 1974 (P.L.973, No.319),
18 known as the "Pennsylvania Farmland and Forest Land Assessment
19 Act of 1974."

20 "Split-off." A division, by conveyance or other action of
21 the owner, of lands devoted to agricultural use, agricultural
22 reserve or forest reserve and preferentially assessed under the
23 provisions of this section into two or more tracts of land, the
24 use of which on one or more of such tracts does not meet the
25 requirements of section 3 of the act of December 19, 1974
26 (P.L.973, No.319), known as the "Pennsylvania Farmland and
27 Forest Land Assessment Act of 1974."

28 (b) (1) The value for transfer inheritance tax purposes of
29 land or an interest in land which is owned by a decedent and
30 devoted to agricultural use, agricultural reserve or forest

1 reserve shall be that value which such land has for its
2 particular use if it also meets the following conditions:

3 (i) in the case of land devoted to agricultural use, the
4 land was devoted to such agricultural use for the three years
5 preceding the death of such decedent and is not less than ten
6 contiguous acres in area or has an anticipated yearly gross
7 income derived from agricultural use of two thousand dollars
8 (\$2,000);

9 (ii) in the case of land devoted to agricultural reserve,
10 the land is not less than ten contiguous acres in area;

11 (iii) in the case of land presently devoted to forest
12 reserve, the land is not less than ten contiguous acres in area;
13 or

14 (iv) the contiguous tract of land for which application is
15 made is not less than the entire contiguous area of the owner
16 used for agricultural use, agricultural reserve or forest
17 reserve purposes.

18 (2) In determining the value of land in agricultural use,
19 agricultural reserve or forest reserve for its particular use,
20 consideration shall be given to available evidence of such
21 land's capability for its particular use as derived from the
22 soil survey at The Pennsylvania State University, the National
23 Cooperative Soil Survey, the United States Census of
24 Agricultural Categories of land use classes and other evidence
25 of the capability of the land devoted to such use and also, if
26 the land is assessed under the provisions of the "Pennsylvania
27 Farmland and Forest Land Assessment Act of 1974," to the
28 valuation determined by the local county assessor thereunder.

29 (c) (1) If any tract of land in agricultural use,
30 agricultural reserve or forest reserve, which is valued for

1 inheritance tax purposes under the provisions of this part, is
2 applied to a use other than agricultural use, agricultural
3 reserve or forest reserve or for any other reason, except
4 condemnation thereof, is removed from the category of land
5 preferentially valued under this part within seven years
6 following the death of such decedent, the owner at such time the
7 land is so removed shall be subject and liable to tax due the
8 Commonwealth in an amount equal to the difference, if any,
9 between the taxes paid or payable on the basis of the valuation
10 authorized under this section and the taxes that would have been
11 paid or payable had that land been valued and taxed on the basis
12 of its market value at the death of the decedent, plus interest
13 thereon for the period from the date of death to the change of
14 use at the rate established in section 2143.

15 (2) The tax shall be a lien upon the property in favor of
16 the Commonwealth, collectible in the manner provided by law for
17 the collection of delinquent real estate taxes, as well as the
18 personal obligation of the owner at the time of such change of
19 use. The tax shall become due on the date of change of use.

20 (3) Every owner of land preferentially valued under this
21 section shall notify the register of wills of the county or
22 counties in which the land is located of any change or proposed
23 change in the use of the land. Any owner failing to make
24 notification commits a misdemeanor of the third degree.

25 (d) (1) The split-off of a part of the land which has been
26 valued, assessed and taxed under this article for a use other
27 than agricultural use, agricultural reserve or forest reserve
28 within the seven-year period provided for by subsection (c)
29 shall, except when the split-off occurs through condemnation,
30 subject the land divided and the entire parcel from which the

1 land was divided to liability for taxes as otherwise set forth
2 in this article except as provided in subclause (2).

3 (2) The owner of property subject to a preferential tax
4 assessment may split off land covered by the preferential tax
5 assessment within the seven-year period. The tract of land so
6 split-off shall not exceed two acres annually and may only be
7 used for residential use, agricultural use, agricultural reserve
8 or forest reserve and the construction of a residential dwelling
9 to be occupied by the person to whom the land is transferred.
10 The total parcel or parcels of land split-off under the
11 provisions of this subsection shall not exceed ten per cent or
12 ten acres, whichever is less, of the entire tract subject to the
13 preferential tax assessment. The split-off of a parcel of land
14 which meets the requirements of this subsection shall not
15 invalidate the preferential tax assessment if it continues to
16 meet the requirements of subsection (b).

17 (3) The owner of property subject to a preferential use
18 assessment may separate land covered by the preferential use
19 assessment. The separation shall not invalidate the preferential
20 tax assessment unless a subsequent abandonment of preferential
21 use occurs within seven years of the separation. The abandonment
22 shall subject the entire tract of land separated to liability
23 for taxes, which are to be paid by the person changing the use,
24 as set forth in this article.

25 (4) When property subject to preferential tax assessment is
26 separated among the beneficiaries taxed under subsection (a) (1)
27 of section 2116, a subsequent change within the seven-year
28 period provided for in subsection (b) in the use of one
29 beneficiary's portion of the property shall subject only that
30 tract held by the beneficiary who changes the use to liability

1 under this article.

2 (e) The value for transfer inheritance tax purposes of land
3 or an interest in land which is part of an agricultural
4 conservation easement shall be at fifty per cent of the value
5 otherwise determined under this section.

6 PART VI

7 DEDUCTIONS

8 Section 2126. Deductions Generally.--The only deductions
9 from the value of the property transferred shall be those set
10 forth in this part. Except as otherwise provided in this
11 article, they shall be deductible regardless of whether or not
12 assets comprising the decedent's taxable estate are employed in
13 the payment or discharge of the deductible items. When a tax is
14 imposed upon a transfer described in subsection (c) of section
15 2107 and section 2108, the deductions shall be allowed to the
16 transferee only to the extent that the transferee has actually
17 paid the deductible items and either the transferee was legally
18 obligated to pay the deductible items or the estate subject to
19 administration by a personal representative is insufficient to
20 pay the deductible items.

21 Section 2127. Expenses.--The following expenses may be
22 deducted from the value of the property transferred:

23 (1) Administration expenses. All reasonable expenses of
24 administration of the decedent's estate and of the assets
25 includable in the decedent's taxable estate are deductible.

26 (2) Bequest to fiduciary or attorney in lieu of fees. A
27 transfer to an executor, trustee or attorney in lieu of
28 compensation for services is deductible to the extent it does
29 not exceed reasonable compensation for the services to be
30 performed.

1 (3) Family exemption. The family exemption is deductible.

2 (4) Funeral and burial expenses. Reasonable and customary
3 funeral expenses, including the cost of a family burial lot or
4 other resting place, are deductible.

5 (5) Tombstones and gravemarkers. Reasonable and customary
6 expenses for the purchase and erection of a monument, gravestone
7 or marker on decedent's burial lot or final resting place are
8 deductible.

9 (6) Burial trusts or contracts. Bequests or devises in
10 trust, or funds placed in trust after decedent's death or funds
11 paid under a contract after decedent's death, in reasonable
12 amounts, to the extent that the funds or income from the funds
13 is to be applied to the care and preservation of the family
14 burial lot or other final resting place in which the decedent is
15 buried or the remains of the decedent repose and the structure
16 on the burial lot or other final resting place, are deductible.

17 (7) Bequests for religious services. Bequests in reasonable
18 amounts for the performance or celebration of religious rites,
19 rituals, services or ceremonies, in consequence of the death of
20 the decedent, shall be deductible.

21 Section 2128. Taxes.--The following taxes may be deducted
22 from the value of the property transferred:

23 (1) Property taxes. Taxes imposed against the decedent or
24 against any property constituting a part of decedent's gross
25 taxable estate and which are owing prior to decedent's death are
26 deductible. However, taxes for which decedent is not personally
27 liable shall not be deductible in an amount exceeding the value
28 of the property against which the taxes are liened.

29 (2) State and foreign death taxes. Death taxes other than
30 the Federal estate tax, disregarding interest and penalty, paid

1 to other states and territories of the United States and to
2 taxing jurisdictions outside the United States and its
3 territories on assets, the transfer of which is subject to tax
4 under this article, if the taxes are required to be paid to
5 bring the assets into this Commonwealth, or to transfer them to
6 the new owner, are deductible.

7 Section 2129. Liabilities.--(a) Except as set forth in
8 section 2130(5), all liabilities of the decedent shall be
9 deductible subject to the limitations set forth in this section.

10 (b) Except as otherwise provided in subsections (h) and (i),
11 the deductions for indebtedness of the decedent, when founded
12 upon a promise or agreement, shall be limited to the extent that
13 it was contracted bona fide and for an adequate and full
14 consideration in money or money's worth.

15 (c) Except as provided by subclause (4) of section 2130,
16 indebtedness owing by the decedent upon a secured loan is
17 deductible whether or not the security is a part of the gross
18 taxable estate.

19 (d) Except as provided by subclause (4) of section 2130, the
20 decedent's liability (net of all collectible contribution) on a
21 joint obligation is deductible whether or not payment of the
22 obligation is secured by entireties property or property which
23 passes to another under the right of survivorship.

24 (e) Indebtedness arising from a contract for the support of
25 the decedent is deductible.

26 (f) Decedent's obligation is deductible whether or not
27 discharged by testamentary gift.

28 (g) Decedent's debt, which is unenforceable because of any
29 statute of limitations, is deductible if paid by the estate.

30 (h) A pledge to a transferee exempt under the provisions of

1 subsection (c) of section 2111 is deductible if paid by the
2 estate, whether or not it is legally enforceable.

3 (i) Liabilities arising from the decedent's tort or from
4 decedent's status as an accommodation endorser, guarantor or
5 surety are deductible, except to the extent that it can be
6 reasonably anticipated that decedent's estate will be exonerated
7 or reimbursed by others primarily liable or subject to
8 contribution.

9 (j) The fact that a surviving spouse is legally liable and
10 financially able to pay any item which, if the deceased spouse
11 were unmarried, would qualify as a deduction under this part
12 shall not result in the disallowance of such item as a
13 deduction.

14 (k) Obligations for decedent's medical expenses are not
15 deductible to the extent decedent's estate will be exonerated or
16 reimbursed for such expenses from other sources.

17 Section 2130. Deductions Not Allowed.--The following are not
18 deductible:

19 (2) Claims of a former spouse, or others, under an agreement
20 between the former spouse and the decedent, insofar as they
21 arise in consideration of a relinquishment or promised
22 relinquishment of marital or support rights.

23 (3) Litigation expenses of beneficiaries.

24 (4) Indebtedness secured by real property or tangible
25 personal property, all of which has its situs outside of this
26 Commonwealth, except to the extent the indebtedness exceeds the
27 value of the property.

28 (5) Expenses, debts, obligations and liabilities incurred in
29 connection with a qualified family-owned business interest
30 exempted from inheritance under section 2111(t) and any property

1 exempted from inheritance tax under section 2111(s) or (s.1).

2 PART VII

3 PAYMENT OF TAX

4 Section 2136. Returns.--(a) The following persons shall
5 make a return:

6 (1) The personal representative of the estate of the
7 decedent as to property of the decedent administered by him and
8 additional property which is or may be subject to inheritance
9 tax of which he shall have or acquire knowledge.

10 (2) The transferee of property upon the transfer of which
11 inheritance tax is or may be imposed by this article, including
12 a trustee of property transferred in trust. No separate return
13 need be made by the transferee of property included in the
14 return of a personal representative.

15 (b) The inclusion of property in the return shall not
16 constitute an admission that its transfer is taxable.

17 (c) Any person required to file a return under subsection
18 (a) shall promptly file a supplemental return with respect to
19 additional assets and transfers which come to his knowledge
20 after the original return has been filed.

21 (d) The returns required by subsection (a) shall be filed
22 within nine months after the death of the decedent. At any time
23 prior to the expiration of the nine-month period, the
24 department, in its discretion, may grant an extension of the
25 time for filing a return for an additional period of six months.

26 (e) The returns required by subsections (a) and (c) shall be
27 made in the form prescribed by the department.

28 (f) When the decedent was a resident, the returns shall be
29 filed with the register. When the decedent was a nonresident,
30 the returns shall be filed with the register who issued letters,

1 if any, in this Commonwealth; otherwise, the returns shall be
2 filed with the department.

3 Section 2137. Appraisement.--The department shall have
4 supervision over, and make or cause to be made, fair and
5 conscionable appraisements of property the transfer of which is
6 subject to tax under this article. The appraisement, unless
7 suspended until audit, shall be made within six months after the
8 return has been filed and, if not so made, shall be made within
9 an additional period as the court, upon application of any party
10 in interest, including the personal representative, shall fix.

11 Section 2138. Deductions.--The official with whom the return
12 is required by subsection (f) of section 2136 to be filed shall
13 determine the allowance or disallowance of all deductions
14 claimed. The determination, unless suspended until audit, shall
15 be made within six months after the claim for allowance has been
16 filed and, if not so made, shall be made within such further
17 period as the court, upon application by any party in interest,
18 including the personal representative, shall fix. However, the
19 court, at the request of the fiduciary at the audit of his
20 account, may determine and allow, as deductions, all properly
21 deductible credits claimed in the account or allowed at the
22 audit without requiring the filing of a separate claim for them,
23 and the court may then fix the amount of the tax and decree
24 payment of the tax. Deductions exceeding one hundred dollars
25 (\$100) in the aggregate shall not be allowed by the court unless
26 the Commonwealth is represented at the audit by counsel or
27 unless there is proof that the register has had at least thirty
28 days notice of the claim.

29 Section 2139. Assessment of Tax.--After the appraisement has
30 been made and the allowance or disallowance of deductions

1 determined, the inheritance tax, as affected by the court's
2 determination of the allowance or disallowance of deductions as
3 provided in section 2138, shall be assessed by the official with
4 whom the return is required to be filed under subsection (f) of
5 section 2136. The assessment, unless suspended until audit,
6 shall be made within one month after the filing of the
7 appraisal or determination of deductions, whichever occurs
8 later, and, if not so made, shall be made within an additional
9 period as the court, upon application by any party in interest,
10 including the personal representative, shall fix.

11 Section 2140. Notice.--The department shall give, or cause
12 to be given, notice of the filing of the appraisal, the
13 determination of the allowance or disallowance of deductions and
14 the amount of tax assessed, and all supplements, to the personal
15 representative and to any transferee who filed a tax return or
16 to their respective attorneys.

17 Section 2141. Failure to File Returns Not a Bar to
18 Assessment of Tax.--Failure to file a return of a taxable
19 transfer shall not bar the making of an appraisal or
20 supplemental appraisal or assessment of tax or supplemental
21 assessment of tax based upon taxable transfers not returned
22 under the provisions of this article.

23 Section 2142. Payment Date and Discount.--Inheritance tax is
24 due at the date of the decedent's death and shall become
25 delinquent at the expiration of nine months after the decedent's
26 death. To the extent that the inheritance tax is paid within
27 three months after the death of the decedent, a discount of five
28 per cent shall be allowed.

29 Section 2143. Interest.--If the inheritance tax is not paid
30 before the date it becomes delinquent, interest on the unpaid

1 tax shall be charged after the date of delinquency at the rate
2 established pursuant to section 806 of the act of April 9, 1929
3 (P.L.343, No.176), known as "The Fiscal Code." When payment of
4 inheritance tax is not made because of litigation or other
5 unavoidable cause of delay and the property on which the tax has
6 been calculated has remained in the hands of a fiduciary and has
7 not produced a net income equal to the rate of interest provided
8 in this section annually, interest for such period shall be
9 calculated at the rate of the net income produced by the
10 property. Any payment on delinquent inheritance tax shall be
11 applied first to any interest due on the tax at the date of
12 payment and then, if there is any balance, to the tax itself.

13 Section 2144. Source of Payment.--(a) In the absence of a
14 contrary intent appearing in the will, the inheritance tax,
15 including interest, on the transfer of property which passes by
16 will absolutely and in fee, and which is not part of the
17 residuary estate, shall be paid out of the residuary estate and
18 charged in the same manner as a general administration expense
19 of the estate. The payments shall be made by the personal
20 representative and, if not so paid, shall be made by the
21 transferee of the residuary estate.

22 (b) In the absence of a contrary intent appearing in the
23 inter vivos trust, the inheritance tax, including interest, on
24 the transfer of property which passes absolutely and in fee by
25 inter vivos trust, and which is not part of the residue of the
26 inter vivos trust, shall be paid out of the residue of the trust
27 and charged in the same manner as a general administration
28 expense of the trust. The payment shall be made by the trustee
29 and, if not so paid, shall be made by the transferee of the
30 residue of the trust.

1 (c) In the absence of a contrary intent appearing in the
2 will, the inheritance tax, including interest, on the transfer
3 of property which passes by will other than absolutely and in
4 fee, and which is not part of the residuary estate, shall be
5 paid out of the residuary estate and charged in the same manner
6 as a general administration expense of the estate. The payment
7 shall be made by the personal representative and, if not so
8 paid, shall be made by the transferee of the residuary estate.

9 (d) In the absence of a contrary intent appearing in the
10 inter vivos trust, the inheritance tax, including interest, on
11 the transfer of property which passes other than absolutely and
12 in fee by inter vivos trust, and which is not part of the
13 residue of the inter vivos trust, shall be paid out of the
14 residue of the trust and charged in the same manner as a general
15 administration expense of the trust. The payment shall be made
16 by the trustee and, if not so paid, shall be made by the
17 transferee of the residue of the trust.

18 (e) In the absence of a contrary intent appearing in the
19 will or other instrument of transfer, the inheritance tax, in
20 the case of a transfer of any estate, income or interest for a
21 term of years, for life or for other limited period, shall be
22 paid out of the principal of the property by which the estate,
23 income or interest is supported, except as otherwise provided in
24 subsection (c) or (d). The payment shall be made by the personal
25 representative or trustee and, if not so paid, shall be made by
26 the transferee of such principal.

27 (e.1) In the absence of a contrary intent appearing in the
28 will or other instrument of transfer creating the trust or
29 similar arrangement, and in the absence of a contrary intent
30 appearing in the will or other instrument of transfer of the

1 surviving spouse which expressly refers to the trust or similar
2 arrangement, the inheritance tax, including interest, due at the
3 death of a surviving spouse with respect to a trust or similar
4 arrangement to which section 2113(b) is applicable shall be paid
5 out of the residue of the principal of the trust or similar
6 arrangement and charged as a general administration expense of
7 the trust or similar arrangement. The payment shall be made by
8 the trustee or other fiduciary in possession of the property
9 and, if not so paid, shall be made by the transferee of the
10 residue of the trust or similar arrangement.

11 (f) In the absence of a contrary intent appearing in the
12 will or other instrument of transfer and except as otherwise
13 provided in this section, the ultimate liability for the
14 inheritance tax, including interest, shall be upon each
15 transferee.

16 Section 2145. Estate Tax Return.--(a) The person or persons
17 required by section 2136 to make the inheritance tax return
18 shall be initially liable for payment of the estate tax.

19 (b) The personal representative of every decedent or, if
20 there is no personal representative, any other fiduciary charged
21 by law with the duty of filing a Federal estate tax return,
22 within one month of the filing or receipt of the return shall
23 file with the register or, if the decedent was a nonresident,
24 with the register who issued letters, if any, in this
25 Commonwealth, or otherwise with the department, a copy of the
26 decedent's Federal estate tax return and of any communication
27 from the Federal Government making any final change in the
28 return or of the tax due. The assessment of estate tax shall be
29 made by the register or department within three months after the
30 filing of the documents required to be filed and, if not so

1 made, shall be made within an additional period as the court,
2 upon application of any party in interest, including the
3 personal representative, shall fix.

4 (c) The estate tax is due at the date of the decedent's
5 death but shall not become delinquent until the expiration of
6 nine months after decedent's death. Any estate tax occasioned by
7 a final change in the Federal return or of the tax due shall not
8 become delinquent until the expiration of one month after the
9 person or persons liable to pay the tax have received final
10 notice of the increase in the Federal estate tax.

11 (d) No discount shall be allowed in paying the estate tax.

12 (e) If the estate tax is not paid before the date it becomes
13 delinquent under subsection (c), interest on the unpaid tax
14 shall be charged after the date of delinquency at the rate
15 established in section 2143.

16 (f) The estate tax shall be apportioned and ultimately borne
17 in accordance with the provisions of 20 Pa.C.S. Ch. 37 (relating
18 to apportionment of death taxes) unless otherwise provided by
19 this article or in the instrument of transfer.

20 (g) When the decedent was a resident, the estate tax shall
21 be paid to the register. When the decedent was a nonresident,
22 the estate tax shall be paid to the register who issued letters,
23 if any, in this Commonwealth; otherwise, it shall be paid to the
24 department.

25 Section 2146. Deduction and Collection of Tax by Personal
26 Representative or Other Fiduciary.--Subject to the provisions of
27 sections 2144 and 2154, every personal representative or other
28 fiduciary (other than a trustee of a pension, stock-bonus,
29 profit-sharing, retirement annuity, deferred compensation,
30 disability, death benefit, or other employe benefit plan) in

1 charge of or in possession of any property, or instrument
2 evidencing ownership of property, the transfer of which is
3 subject to a tax imposed by this article other than a tax on a
4 future interest not yet delinquent, shall deduct the tax from
5 the property, if money, or shall collect the tax from the
6 transferee. Any delivery of property or instrument by the
7 fiduciary to a transferee, except in accordance with a decree of
8 distribution of the court or pursuant to a duly executed notice
9 of election filed under section 2154, shall not relieve him of
10 personal liability for a tax imposed by this article. No
11 personal representative or other fiduciary in charge of or in
12 possession of any property subject to this article shall be
13 compelled to pay or deliver it to the transferee except upon
14 payment to him of the tax due other than tax on a future
15 interest not yet delinquent. If the transferee neglects or
16 refuses to pay the tax, the personal representative or other
17 fiduciary may sell the property subject to the tax, or so much
18 of the property as is necessary, under direction of the court.
19 All money retained by the personal representative or other
20 fiduciary, or paid to him on account of the taxes imposed by
21 this article, shall be remitted by him before the tax becomes
22 delinquent or, if received after the tax becomes delinquent,
23 shall be remitted by him promptly upon its receipt.

24 Section 2147. Duties of Depositories.--When money is
25 deposited or invested in a financial institution located in this
26 Commonwealth in the names of two or more persons, other than
27 husband and wife, or in the name of a person or persons in trust
28 for another or others, and one of the parties to the deposit or
29 investment dies, it shall be the duty of the financial
30 institution, within ten days after knowledge of the death, to

1 notify the department, giving the name of the deceased person,
2 the date of the creation of the joint or trust deposit or
3 investment, the amount invested or on deposit at the date of
4 death with the financial institution and the name and address of
5 the survivor or survivors to the account. No notification shall
6 be required in regard to the account when the deposit at the
7 time of death does not exceed three hundred dollars (\$300).

8 Section 2148. Compromise by Department.--The department,
9 with the approval of the Attorney General, may compromise in
10 writing, with the person liable, the tax, including interest on
11 the tax, payable on any transfer of property included in the
12 estate of any decedent who it is alleged was a nonresident at
13 the time of his death. A copy of the compromise agreement shall
14 be filed with the register who issued letters, if any, in this
15 Commonwealth; otherwise, it shall be filed with the department.
16 The compromise agreement shall constitute a final determination
17 of the matters covered by it and the payment of the tax, as
18 fixed by the agreement, shall discharge all persons and property
19 from liability with respect to the tax.

20 Section 2149. Interstate Compromise and Arbitration of
21 Inheritance Taxes.--When the register or the department alleges
22 that a decedent was a resident of this Commonwealth at the time
23 of his death, and the taxing authorities of another state or
24 territory make a like claim on behalf of their state or
25 territory, a written agreement of compromise or a written
26 agreement to submit the controversy to a board of arbitrators
27 may be made under Part VIII.

28 Section 2150. Extension of Time for Payment.--The department
29 may, for reasonable cause, extend the time for payment of any
30 part of the inheritance tax and may, if deemed necessary for the

1 protection of the interest of this Commonwealth, require the
2 transferee in present possession or, if a trust is involved, the
3 trustee to file a bond in the name of the Commonwealth with
4 sufficient surety, in an amount not exceeding twice the tax
5 computed when the bond is given at the highest rate possible in
6 the specific contingencies involved (reduced by the amount of
7 any partial payment made) and conditioned for the payment of the
8 tax at such postponed due date, together with interest from the
9 due date to the payment date. No bond shall be required under
10 this section if the trustee or one of the trustees is a bank and
11 trust company or a trust company incorporated in this
12 Commonwealth or a national banking association having its
13 principal office in this Commonwealth. The bond required shall
14 be filed in the office of the register.

15 Section 2151. Bond for Delinquent Tax.--The court, in its
16 discretion, at any time after a tax imposed by this article
17 becomes delinquent, upon application of the department, may
18 require any person liable for a tax imposed by this article to
19 give a bond for its payment. The bond shall be in the name of
20 the Commonwealth, in such amount and with such surety as the
21 court approves and conditioned for the payment of the tax, plus
22 interest at the same rate as the interest rate on deficiencies
23 provided for in section 2143, commencing on the date the tax
24 became delinquent, within a time certain to be fixed by the
25 court and specified in the bond. The bond required shall be
26 filed in the office of the register.

27 Section 2152. Evidence of Payment of Tax for Real Estate in
28 Another County.--When any tax is imposed and paid under this
29 article on real estate located in a county other than that of
30 the register who received payment, the register shall, upon

1 request, immediately forward to the register of the county where
2 the real estate is located a certificate of the payment of the
3 tax on the real estate which shall be entered of record in his
4 office. The register of the county where the real estate is
5 located shall be entitled to a fee of two dollars (\$2) for
6 entering the record of payment to be paid as a part of the
7 administration expenses of the decedent's estate.

8 Section 2153. Penalties.--(a) Any person who willfully
9 fails to file a return or other report required of him under the
10 provisions of sections 2136 and 2145 shall be personally liable,
11 in addition to any liability imposed elsewhere in this article,
12 to a penalty of twenty-five per cent of the tax ultimately found
13 to be due or one thousand dollars (\$1,000), whichever is less,
14 to be recovered by the department as debts of like amount are
15 recoverable by law.

16 (b) Any financial institution which fails to give the notice
17 required by section 2147 shall be liable to a penalty of one
18 hundred dollars (\$100) to be recovered by the department as
19 debts of like amount are recoverable by law.

20 (c) Any person who willfully makes a false return or report
21 required of him under the provisions of this article, in
22 addition to any liability imposed elsewhere in this article,
23 commits a misdemeanor of the third degree.

24 Section 2154. Payment of Tax for Small Business Transfers.--

25 (a) Notwithstanding the provisions of section 2142, the
26 inheritance tax due under this article on the transfer of a
27 small business interest may be paid by the qualified transferee
28 in consecutive quarterly installments beginning immediately
29 following the expiration of nine months after the decedent's
30 death. The tax may be paid in twenty consecutive quarterly

1 installments.

2 (b) The tax shall be paid in consecutive quarterly
3 installments due on March 31, June 30, September 30 and December
4 31 of each year, provided the return required by section 2136 is
5 timely filed, along with a notice of election executed by the
6 qualified transferee and joined in by the personal
7 representative which shall relieve the personal representative
8 or other fiduciary of liability for the collection and payment
9 of tax under section 2146. The notice of election shall be
10 completed on a form prescribed by the department containing at
11 least the following information:

12 (1) The name of the decedent and date of death.

13 (2) The name or names of the personal representative or
14 other fiduciary.

15 (3) The name or names of the qualified transferees filing
16 the election.

17 (4) A description and estimated valuation of the business
18 interest on which tax is due.

19 (5) A statement that the qualified transferees assume full
20 personal responsibility for the tax.

21 Each notice of election shall be affirmed before an officer
22 empowered to administer oaths. The installment payment of tax
23 shall bear interest at the rate of nine per cent per annum.

24 (c) In the event any portion of a small business interest on
25 which the installment payment of tax has been elected is sold,
26 exchanged or otherwise disposed of prior to the expiration of
27 five years following the date of death and that portion equals
28 or exceeds fifty per cent of the total value of the small
29 business interest received by the qualified transferee, the
30 transferee shall immediately provide written notice of the sale,

1 exchange or disposition to the department, and the full amount
2 of the tax then outstanding on that portion shall become due and
3 payable at the expiration of sixty days following the date of
4 sale, exchange or other disposition.

5 (d) For purposes of this section, the term "small business
6 interest" means an interest in an operating trade or business
7 entity the principal purpose of which is not the management of
8 investments or income producing assets owned by the entity which
9 has employed an average of less than fifty full-time employes
10 during the twelve months immediately preceding the date of death
11 and which meets one of the following criteria:

12 (1) An interest as a proprietor in a trade or business
13 carried on as a proprietorship.

14 (2) An interest as a partner in a partnership carrying on a
15 trade or business if:

16 (i) twenty per cent or more of the total capital interest in
17 the partnership is included in determining the gross estate of
18 the decedent; or

19 (ii) the partnership had ten or less partners.

20 (3) Stock in a corporation carrying on a trade or business
21 if:

22 (i) twenty per cent or more in value of the voting stock of
23 the corporation is included in determining the gross estate of
24 the decedent; or

25 (ii) the corporation had ten or less shareholders.

26 (e) Qualified transferee defined.--For purposes of this
27 section, the term "qualified transferee" means a legatee or
28 other transferee receiving:

29 (1) ten per cent or more of the value of a proprietorship
30 qualifying as a small business interest as defined in subsection

1 (d);

2 (2) ten per cent or more of the total capital interest in a
3 partnership qualifying as a small business interest as defined
4 in subsection (d); or

5 (3) ten per cent or more in value of the voting stock of a
6 corporation qualifying as a small business interest as defined
7 in subsection (d).

8 PART VIII

9 UNIFORM ACT ON INTERSTATE COMPROMISE AND

10 ARBITRATION OF INHERITANCE TAXES

11 Section 2156. Short Title.--This part shall be known and may
12 be cited as the "Uniform Act on Interstate Compromise and
13 Arbitration of Inheritance Taxes."

14 Section 2157. Compromise Agreement and Filing, Interest or
15 Penalty for Nonpayment of Taxes.--When the department or the
16 register claims a decedent was domiciled in this Commonwealth at
17 the time of his death and the taxing authority of another state
18 makes a like claim on behalf of its state, the department may,
19 with the approval of the Attorney General, make a written
20 agreement of compromise with the other taxing authority and the
21 executor or administrator of the decedent that a certain sum
22 shall be accepted in full satisfaction of any and all
23 inheritance taxes imposed by this Commonwealth, including any
24 interest or penalties to the date of signing the agreement. The
25 agreement shall also fix the amount to be accepted by the other
26 state in full satisfaction of inheritance taxes. The executor or
27 administrator of the decedent is authorized to make the
28 agreement. The agreement shall conclusively fix the amount of
29 tax payable to the Commonwealth without regard to any other
30 provision of the laws of this Commonwealth. Unless the tax

1 agreed upon is paid within sixty days after the signing of the
2 agreement, interest or penalties shall accrue upon the amount
3 fixed in the agreement, but the time between the decedent's
4 death and the signing of the agreement shall not be included in
5 computing the interest or penalties. In the event the aggregate
6 amount payable under the agreement to the states involved is
7 less than the maximum credit allowable to the estate against the
8 Federal estate tax imposed with respect to the estate, the
9 personal representatives shall also pay to the department so
10 much of the difference between the aggregate amount and the
11 amount of such credit as the amount payable to the department
12 under the agreement bears to the aggregate amount. A copy of the
13 agreement shall be filed in the office of the proper register,
14 and any existing appraisement shall be deemed modified according
15 to the agreement. In the event no appraisement has been made and
16 filed prior to the agreement, the department shall direct an
17 appraisement to be made and filed in the office of the proper
18 register in accordance with the agreement.

19 Section 2158. Arbitration Agreement.--When the department or
20 the register claims that a decedent was domiciled in this
21 Commonwealth at the time of his death and the taxing authority
22 of another state makes a like claim on behalf of its state, the
23 department may, with the approval of the Attorney General, make
24 a written agreement with the other taxing authority and with the
25 executor or administrator of the decedent to submit the
26 controversy to the decision of a board consisting of one or any
27 uneven number of arbitrators. The executor or administrator of
28 the decedent is authorized to make the agreement. The parties to
29 the agreement shall select the arbitrator or arbitrators.

30 Section 2159. Arbitration Board.--(a) The board shall have

1 the power to administer oaths, take testimony, subpoena and
2 require the attendance of witnesses and the production of books,
3 papers and documents and issue commissions to take testimony.
4 Subpoenas may be signed by any member of the board. In case of
5 failure to obey a subpoena, any judge of a court of record of
6 this Commonwealth, upon application by the board, may make an
7 order requiring compliance with the subpoena, and the court may
8 punish failure to obey the order as a contempt.

9 (b) The board shall hold hearings at a time and place it may
10 determine, upon reasonable notice to the parties to the
11 agreement, all of whom shall be entitled to be heard, to present
12 evidence and to examine and cross-examine witnesses.

13 (c) Except as provided in subsection (a) in respect to the
14 issuance of subpoenas, all questions arising in the course of
15 the proceedings shall be determined by a majority vote of the
16 board.

17 (d) The board shall, by a majority vote, determine the
18 domicile of the decedent at the time of his death. This
19 determination shall be final for the purpose of imposing and
20 collecting inheritance taxes but for no other purpose.

21 (e) The compensation and expenses of the members of the
22 board and its employes may be agreed upon among the members and
23 the executor or administrator and, if they cannot agree, shall
24 be fixed by any court having jurisdiction over probate matters
25 of the State determined by the board to be the domicile of the
26 decedent. The amounts so agreed upon or fixed shall be deemed an
27 administration expense and shall be payable by the executor or
28 administrator.

29 Section 2160. Filing of Determination of Domicile and Other
30 Documents.--The department, register or board, or the executor

1 or administrator of the decedent, shall file the determination
2 of the board as to domicile, the record of the board's
3 proceedings and the agreement, or a duplicate, made pursuant to
4 section 2158 with the authority having jurisdiction to assess or
5 determine the inheritance taxes in the State determined by the
6 board to be the domicile of the decedent and shall file copies
7 of the documents with the authorities that would have been
8 empowered to assess or determine the inheritance taxes in each
9 of the other states involved.

10 Section 2161. Interest or Penalties for Nonpayment of
11 Taxes.--In any case where it is determined by the board that the
12 decedent died domiciled in this Commonwealth, interest or
13 penalties, if otherwise imposed by law, for nonpayment of
14 inheritance taxes between the date of the agreement and of
15 filing of the determination of the board as to domicile shall
16 not exceed the rate provided for in section 2143.

17 Section 2162. Compromise by Parties to Arbitration
18 Agreement.--The provisions of this part shall not prevent at any
19 time a written compromise, if otherwise lawful, by all parties
20 to the agreement made pursuant to section 2157, fixing the
21 amounts to be accepted by this Commonwealth and any other state
22 involved in full satisfaction of inheritance taxes.

23 Section 2163. Reciprocal Application.--The provisions of
24 this part relative to arbitration shall apply only to cases in
25 which and so far as each of the states involved has a law
26 identical or substantially similar to this part.

27 PART IX

28 COLLECTION OF TAX

29 Section 2166. Timely Mailing Treated as Timely Filing and
30 Payment.--Notwithstanding the provisions of any State tax law to

1 the contrary, whenever a report or payment of all or any portion
2 of a State tax is required by law to be received by the
3 department or other agency of the Commonwealth on or before a
4 day certain, the taxpayer shall be deemed to have complied with
5 the law if the letter transmitting the report or payment of the
6 tax which has been received by the department is postmarked by
7 the United States Postal Service on or prior to the final day on
8 which the payment is to be received. For the purposes of this
9 article, presentation of a receipt indicating that the report or
10 payment was mailed by registered or certified mail on or before
11 the due date shall be evidence of timely filing and payment. Any
12 inheritance tax return filed after July 1, 2012, under section
13 2136 that reports transfers of property that are exempt from the
14 inheritance tax under section 2111(s), (s.1) and (t) shall be
15 considered timely filed if filed within one year of the tax
16 return due date, including an extended due date.

17 Section 2167. Lien and Duration of Lien.--The taxes imposed
18 by this article, together with any interest on the taxes, shall
19 be a lien upon the real property included in the transfer on
20 which the taxes are imposed. Except as otherwise provided in
21 this part, the lien shall remain until the taxes and interest
22 are paid in full.

23 Section 2168. Limited and Future Interests.--In the case of
24 a transfer of any estate, income or interest for a term of
25 years, for life or for other limited period, or constituting a
26 future interest, the taxes imposed by this article, together
27 with any interest on the tax, shall remain a lien until paid
28 upon the entire real property by which the estate, income or
29 interest is supported, or of which it is a part, and the lien
30 shall be limited to the real property so transferred.

1 Section 2169. Purchaser, Mortgagee or Lessee.--Unless suit
2 for collection of the taxes imposed by this article is
3 instituted within twenty years after any tax becomes delinquent,
4 the lien shall cease as to any purchaser, mortgagee or lessee of
5 a devisee or heir of, or a beneficiary under a deed of trust of,
6 the real property subject to the lien. Any time within the
7 twenty-year period, if any tax on the real property is not paid,
8 the department shall have power to file a certificate, under its
9 seal, certifying to nonpayment which, when filed in the office
10 of the clerk of the county where the real property is situated,
11 shall continue the lien against decedent's real property for an
12 additional period of five years from the date of the filing and
13 the lien shall be indexed in the office of the clerk. If the
14 taxes on the real property are not paid within the additional
15 period of five years, the department shall have power to extend
16 the lien for additional periods of five years by filing a
17 certificate in the manner provided in this section.

18 Section 2170. Sale by Fiduciary.--If real property subject
19 to the lien of taxes imposed by this article is sold or
20 exchanged by a fiduciary who is subject to the jurisdiction of
21 the court and who has given bond as required by 20 Pa.C.S.
22 (relating to decedents, estates and fiduciaries), or is a
23 corporate fiduciary which need not file bond under 20 Pa.C.S.,
24 the lien on the property sold shall cease.

25 Section 2171. Sale by Heir, Devisee or Fiduciary.--If real
26 property subject to the lien of taxes imposed by this article is
27 sold or exchanged or otherwise disposed of by an heir, devisee
28 or fiduciary, and if the inheritance tax, together with
29 interest, is paid on all property reported in the tax return,
30 including the property sold, which property has been appraised

1 and tax assessed, the lien of any unpaid tax imposed by this
2 article shall cease as to the property sold.

3 Section 2172. Sale of Property Transferred Inter Vivos.--
4 When real property or any income or interest in the real
5 property or income has been transferred within the meaning of
6 subsection (c) of section 2107 and the transferee has sold,
7 mortgaged or leased the property or any income or interest in
8 the property, the interest of a bona fide purchaser, mortgagee
9 or lessee in the property shall not be subject to any lien for
10 the taxes imposed by this article.

11 Section 2173. Subordination of Lien.--If real property
12 subject to the lien is mortgaged or leased by a fiduciary who is
13 subject to the jurisdiction of the court and who has given a
14 bond as required by 20 Pa.C.S. (relating to decedents, estates
15 and fiduciaries), or is a corporate fiduciary which need not
16 file bond under 20 Pa.C.S., the lien shall become subject and
17 subordinate to the rights and interests of the mortgagee, lessee
18 or other person so secured.

19 Section 2174. Cessation Upon Approval of Bond.--Upon
20 approval of a bond for the payment of taxes imposed upon a
21 transfer, the lien upon the real property shall cease. The
22 amount of the bond shall not exceed the value of the real
23 property transferred.

24 Section 2175. Release of Lien.--(a) In case of a transfer,
25 other than by will or intestacy, the department, upon
26 satisfactory proof that no taxes are due which would be a lien
27 on the real property transferred by reason of the death of the
28 transferor, may release all or any portion of the property from
29 any lien imposed by this article to which the property otherwise
30 might be subject.

1 (b) The department may, at any time, release all or any
2 portion of the real property subject to any lien imposed by this
3 article from such lien or subordinate such lien to other liens
4 and encumbrances if it determines that the taxes are
5 sufficiently secured by a lien on other property of the decedent
6 or that the release or subordination of the lien will not
7 endanger or jeopardize the collection of the taxes.

8 (c) When inheritance tax in respect to the transfer of
9 particular real property is paid on the value of the property
10 without diminution for any deductions authorized by this
11 article, other than a mortgage on the property existing at the
12 date of the decedent's death, the department, upon request of a
13 party in interest, shall issue a certificate evidencing the
14 release of the property from the lien of tax.

15 (d) A certificate by the department to the effect that any
16 real property or interest in real property subject to any lien
17 imposed by this article has been released from the lien, or that
18 the lien has been subordinated to other liens and encumbrances,
19 shall be conclusive evidence as to any bona fide purchaser,
20 encumbrancer or lessee that the lien has been released or
21 subordinated.

22 Section 2176. Enforcement Procedure.--(a) The court, at the
23 request of the register, department or Office of Attorney
24 General, shall issue a citation, directed to those liable for
25 the payment of the taxes or subject to any other duty imposed by
26 this article, commanding the person or persons to appear and
27 show cause why the requirements of this article should not be
28 met.

29 (b) The court may issue any decree warranted by the facts,
30 according to equity.

1 (c) A citation to enforce payment of taxes due under this
2 article or compliance with the duties required by this article
3 shall be issued by the court upon application of the register,
4 department or Office of Attorney General whenever any of the
5 following occurs:

6 (1) A tax return is not filed within the time required by
7 this article.

8 (2) Any tax due under this article remains delinquent.

9 (3) A Federal estate tax return has been filed but a copy of
10 the return or a communication making a final change on the
11 return has not been filed as required by section 2145.

12 (4) Any other duty imposed by this article remains
13 unperformed.

14 (d) The register or department may issue subpoenas to compel
15 the production of documents and the attendance of witnesses
16 necessary for the administration of this article.

17 (e) Execution may be issued by the court against any real
18 property in the decedent's estate on which a lien for the
19 payment of the taxes imposed by this article exists or against
20 any property belonging to a transferee liable for the tax.

21 (f) The department may bring suits in the courts of other
22 states to collect death taxes (including interest and penalties
23 on the taxes) imposed by this article. An official of another
24 state which extends a like comity to the Commonwealth may sue
25 for the collection of death taxes (including interest and
26 penalties on the taxes) in the courts of this Commonwealth. A
27 certificate by the Secretary of State of another state, under
28 the seal of that state, that an official has authority to
29 collect its death taxes shall be conclusive evidence of the
30 authority of the official in any suit for the collection of the

1 taxes in any court of this Commonwealth.

2 PART X

3 REFUND OF TAX

4 Section 2181. Refund of Tax.--(a) A refund shall be made of
5 any tax to which the Commonwealth is not rightfully or equitably
6 entitled provided the Commonwealth determines the refund is due
7 or application for refund is made within the appropriate time
8 limit as set forth in subsection (d).

9 (b) Interest shall be paid on refundable tax at the same
10 rate as the interest rate on deficiencies provided for in
11 section 2143.

12 (c) Refund shall be made in cash to the party who paid the
13 tax or to his assignee or as directed by the court.

14 (d) Application for refund of tax shall be made within three
15 years after:

16 (1) the court has rescinded its order and adjudication of
17 presumed death when the refund is claimed for tax paid on the
18 transfer of the estate of a presumed decedent who is later
19 determined to be alive;

20 (2) termination of litigation establishing a right to a
21 refund; no application for refund shall be necessary when the
22 litigation has been with the Commonwealth over liability for the
23 tax or the amount of tax due;

24 (3) it has been finally determined that the whole or any
25 part of an alleged deficiency tax, asserted by the Federal
26 Government beyond that admitted to be payable, and in
27 consequence of which an estate tax was paid under section 2117
28 was not payable;

29 (4) a final judgment holding that a provision of this
30 article under which tax has been paid is unconstitutional or

1 that the interpretation of a provision of this article under
2 which tax has been paid was erroneous; or

3 (5) the date of payment, or the date of the notice of the
4 assessment of the tax, or the date the tax becomes delinquent,
5 whichever occurs later, in all other cases.

6 (e) An application for refund of tax shall be made to the
7 department.

8 (e.1) A petition to review the decision and order of the
9 department on a petition for refund may be made to the Board of
10 Finance and Revenue under this article.

11 (f) The action of the Board of Finance and Revenue on all
12 applications for refund of tax may be appealed as provided for
13 in 42 Pa.C.S. § 933 (relating to appeals from government
14 agencies).

15 (g) As much of the moneys received as payment of tax under
16 this article as shall be necessary for the payment of the
17 refunds provided for in this article with interest is
18 appropriated for the payment of such refunds.

19 PART XI

20 DISPUTED TAX

21 Section 2186. Protest, Notice and Appeal.--(a) Any party in
22 interest, including the Commonwealth and the personal
23 representative, not satisfied with the appraisal, the
24 allowance or disallowance of deductions, the assessment of tax,
25 or supplements or any other matter relating to any tax imposed
26 by this article, within sixty days after receipt of notice of
27 the action complained of may:

28 (1) file with the department a written protest, sending a
29 copy thereof to the Office of Attorney General;

30 (2) notify the register in writing that he elects to have

1 the correctness of the action complained of determined at the
2 audit of the account of the personal representative; or

3 (3) appeal to the court to have the correctness of the
4 action complained of determined at the audit of the account of
5 the personal representative, or at a time the court shall fix.

6 The protest, notification or appeal shall specify all the
7 objections to the action complained of. When the protest,
8 notification or appeal is filed by the Commonwealth, a copy
9 shall also be sent to the personal representative and to all
10 other persons who filed a tax return.

11 (b) If a notification or appeal has been filed from an
12 assessment of tax where it is contended that the rate of tax
13 which will be applicable when a future interest vests in
14 possession and enjoyment cannot presently be established with
15 certainty and no compromise has been entered into pursuant to
16 subsection (e) of section 2116, the court, after consideration
17 of relevant actuarial factors, valuations and other pertinent
18 circumstances, shall determine what portion of the transfer is
19 to become taxed at each of the rates which might be applicable.

20 (c) Whenever any appeal or protest is brought pursuant to
21 this part and the subject matter of the appeal concerns the
22 valuation of certain farmland as set forth in section 2122, the
23 forum designated by the department to hear the appeal or protest
24 shall include at least two farmers and the Secretary of
25 Agriculture. The farmers and the Secretary of Agriculture shall
26 be accorded full powers within the forum with full voting
27 rights.

28 Section 2187. Bond.--No bond shall be required of any party
29 in interest who files a protest or notification against, or
30 appeals from, an appraisement, allowance or disallowance of a

1 deduction, assessment of tax or supplements or other matter
2 relating to the tax or from the decision of the department
3 following a protest or who petitions for removal of the record
4 to the court.

5 Section 2188. Appeal and Removal from Department.--(a) Any
6 party in interest, including the Commonwealth and the personal
7 representative, not satisfied with the decision of the
8 department upon a protest may appeal from the department to the
9 court within sixty days after receipt of notice of the entry of
10 the decision of the department. When no decision has been
11 rendered by the department within thirty days after the protest
12 has been filed with the department, the court upon petition of
13 any party in interest may direct the department to transmit the
14 entire record to the court. When an appeal is taken from the
15 decision of the department or the court directs the department
16 to transmit the entire record to the court, the court shall
17 either proceed to a determination of the issues protested to the
18 department or suspend the determination until the audit of the
19 account of the personal representative.

20 (b) If the appeal or removal arises from an assessment of
21 tax where it is contended that the rate of tax which will be
22 applicable when a future interest vests in possession and
23 enjoyment cannot presently be established with certainty, and no
24 compromise has been entered into pursuant to subsection (e) of
25 section 2116, the court after consideration of relevant
26 actuarial factors, valuations and other pertinent circumstances
27 shall determine what portion of the transfer is to become taxed
28 at each of the rates which might be applicable.

29 PART XII

30 ENTRY INTO SAFE DEPOSIT BOX

1 Section 2191. Entry Prohibited.--Unless provided otherwise
2 in this part, no person having actual knowledge of the death of
3 a decedent shall enter a safe deposit box of the decedent. This
4 part shall not be construed to confer upon any person any right
5 of entry into a safe deposit box of a decedent which he does not
6 otherwise have.

7 Section 2192. Entry Without Notice to Department.--(a) A
8 safe deposit box of a decedent may be entered and any or all of
9 the contents removed in the presence of an employe of the
10 financial institution in which the box is located. The employe
11 shall make, or cause to be made, a record of the contents of the
12 box, which record he shall attest under penalty of perjury to be
13 correct and complete. The financial institution may make a
14 reasonable charge for the attendance of its employe at the entry
15 of the box and the listing of the contents, which charge shall
16 be deductible as an administration expense under subclause (1)
17 of section 2127.

18 (b) A safe deposit box of a decedent may be entered and any
19 or all of the contents removed in the presence of a
20 representative of the department authorized by the secretary.
21 The department shall authorize at least one such representative
22 in and for each county of this Commonwealth. The representative
23 present at the time of entry into the box shall make or cause to
24 be made a record of the contents of the box.

25 (c) The court for cause shown may order that a designated
26 person or persons be permitted to enter a safe deposit box of a
27 decedent and remove the contents described in the order, under
28 supervision as the court may direct. The order may also require
29 that a record be made of the contents of the box.

30 (d) Notwithstanding any of the provisions of this part, the

1 department, at any time and without relation to the death of a
2 specific decedent, by a certificate issued to a firm whose
3 business requires ready access to safe deposit boxes, may issue
4 a general authorization for the entry into, and removal of the
5 contents of, a safe deposit box of a decedent, under terms and
6 conditions as it may prescribe. A financial institution may
7 permit such entry and removal upon presentation to it of such
8 certificates issued by the department.

9 (e) Nothing in this part shall prohibit a financial
10 institution from permitting entry into a safe deposit box of a
11 decedent for the sole purpose of removing the decedent's will
12 and evidence of ownership of the burial lot in which the
13 decedent is to be interred. An employe of the financial
14 institution must be present at the opening of the box and make
15 or cause to be made a record of the documents removed from the
16 safe deposit box during the entry and attest the record to be
17 correct and complete under penalty of perjury.

18 Section 2193. Entry Upon Notice to Department.--(a) When
19 entry into a safe deposit box of a decedent is not or cannot be
20 made under the provisions of subsection (a), (b), (c) or (d) of
21 section 2192, a safe deposit box of a decedent may be entered at
22 the time fixed in a notice mailed to the Department of Revenue,
23 Harrisburg, Pennsylvania, and to the financial institution in
24 which the box is located, in the manner specified in this
25 section. The date fixed for entry and contained in the notice
26 shall not be less than seven days after the date of notice is
27 mailed. A representative of the department may be present at the
28 time fixed for entry and may make or cause to be made a record
29 of the contents of the box.

30 (b) The notice required under subsection (a) shall be

1 delivered to the United States Postal Service for mailing in a
2 manner that will provide for a record of the mailing being made
3 by the United States Postal Service and a receipt being
4 furnished to the sender. An exact copy of the notice shall be
5 transmitted to the financial institution in which the box is
6 located.

7 (c) At the time fixed in the notice required by subsection
8 (a), although no representative of the department is present, it
9 shall be lawful for a financial institution in which a safe
10 deposit box of a decedent is located to permit, and it shall
11 permit, entry into the box and removal of its contents by a
12 person who furnishes a signed statement under penalty of perjury
13 that he or someone in his behalf has given such notice.

14 Section 2194. Subsequent Entries.--Nothing in this part
15 shall be construed to impose any restriction upon reentry into a
16 safe deposit box of a decedent at any time subsequent to an
17 entry made in accordance with any of the provisions of this part
18 other than subsection (e) of section 2192.

19 Section 2195. Confidential Nature of Contents.--Any
20 information gained from the contents of a safe deposit box of a
21 decedent by a person whose attendance at the entry into the box
22 was required by this part shall be confidential and shall not be
23 disclosed for other than official purposes to collect the taxes
24 imposed by this article.

25 Section 2196. Penalties.--(a) Any employe of a financial
26 institution in which the safe deposit box of a decedent is
27 located who, having actual knowledge of the death of the
28 decedent, enters or permits the entry by any person into a safe
29 deposit box of the decedent in violation of the provisions of
30 this part commits a misdemeanor of the third degree.

1 (b) Any person, other than an employe of a financial
2 institution in which the safe deposit box of a decedent is
3 located, who, having actual knowledge of the death of a
4 decedent, enters a safe deposit box of the decedent in violation
5 of the provisions of this part commits a misdemeanor of the
6 third degree.

7 (c) Any person who violates the provisions of section 2195
8 commits a misdemeanor of the third degree.]

9 Section 2. Sections 2702(c) and 2901(b) of the act are
10 amended to read:

11 Section 2702. Petition for reassessment.

12 * * *

13 [(c) Application to inheritance and estate taxes.--This
14 section shall not apply to the taxes imposed by Article XXI.
15 Part XI of Article XXI shall provide the exclusive procedure for
16 protesting the appraisement and assessment of taxes imposed by
17 Article XXI.]

18 Section 2901. Taxability of Government Obligations.--* * *

19 [(b) Government obligations described in subsection (a)
20 shall continue to be subject to inheritance and estate taxes
21 imposed by Article XXI.]

22 * * *

23 Section 3. The repeal or amendment of Article XXI and
24 sections 2702(c) and 2901(b) of the act shall apply to
25 inheritance tax imposed as to a decedent whose date of death is
26 after the effective date of this section.

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