

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1148 Session of
2021

INTRODUCED BY GAYDOS, ROTHMAN, KEEFER, GROVE, BOBACK, ECKER,
KAUFFMAN, R. MACKENZIE, JOZWIAK, MARSHALL, RYAN AND MOUL,
APRIL 8, 2021

REFERRED TO COMMITTEE ON FINANCE, APRIL 8, 2021

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17 No.2), known as the Tax Reform Code of 1971, is repealed: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
23 may be cited as the "Inheritance and Estate Tax Act."

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

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

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

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

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

20 (3) fur farming;

21 (4) stockyard and slaughterhouse operations; or

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

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

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

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

29 (1) The county in which the decedent resided at the time of
30 his death.

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

3 (3) Dauphin County in all other cases.

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

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

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

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

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

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

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

30 "Lineal descendants." All children of the natural parents

1 and their descendants, whether or not they have been adopted by
2 others, adopted descendants and their descendants and
3 stepdescendants.

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

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

14 "Notice." Written notice.

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

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

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

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

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

30 (4) All real property and all tangible personal property of

1 a nonresident decedent or transferor having its situs in this
2 Commonwealth, including property held in trust.

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

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

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

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

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

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

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

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

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

29 "Value." The price at which the property would be sold by a
30 willing seller, not compelled to sell, to a willing buyer, not

1 compelled to buy, both of whom have reasonable knowledge of the
2 relevant facts. In determining the value of property, no
3 reduction shall be made on account of income, excise or other
4 taxes which may become payable subsequent to the valuation date
5 by the transferee or out of the property. Value as to land in
6 agricultural use, agricultural reserve or forest reserve means
7 the value which the land has for its particular use according to
8 the standards provided in section 2122.

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

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

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

30 PART II

1 TRANSFERS SUBJECT TO TAX

2 Section 2106. Imposition of Tax.--An inheritance tax for the
3 use of the Commonwealth is imposed upon every transfer subject
4 to tax under this article at the rates specified in section
5 2116.

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

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

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

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

27 (3) A transfer conforming to subclause (1) and made within
28 one year of the death of the transferor is subject to tax only
29 to the extent that the value at the time of the transfer or
30 transfers in the aggregate to or for the benefit of the

1 transferee exceeds three thousand dollars (\$3,000) during any
2 calendar year.

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

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

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

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

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

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

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

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

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

27 PART III

28 TRANSFERS NOT SUBJECT TO TAX

29 Section 2111. Transfers Not Subject to Tax.--(a) The
30 transfers enumerated in this section are not subject to the tax

1 imposed by this article.

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

4 (1) The United States of America.

5 (2) The Commonwealth of Pennsylvania.

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

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

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

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

28 (3) Any veterans' organization incorporated by act of
29 Congress or its departments or local chapters or posts, no part
30 of the net earnings of which inures to the benefit of any

1 private shareholder or individual.

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

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

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

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

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

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

29 (j) Adjusted service certificates issued under the act of
30 Congress of May 19, 1924, and adjusted service bonds issued

1 under the act of Congress of January 27, 1936, are exempt from
2 inheritance tax.

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

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

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

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

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

27 (p) The lump-sum death payment from the Social Security
28 Administration or Veterans' Administration or any county
29 veterans' death benefit or other similar death benefit, whether
30 or not paid to the decedent's estate, is exempt from inheritance

1 tax.

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

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

29 (s) A transfer of real estate devoted to the business of
30 agriculture to or for the benefit of members of the same family,

1 provided that after the transfer the real estate continues to be
2 devoted to the business of agriculture for a period of seven
3 years beyond the transferor's date of death, the real estate
4 derives a yearly gross income of at least two thousand dollars
5 (\$2,000) and the real estate is reported on a timely filed
6 inheritance tax return, provided that:

7 (1) Any tract of land under this article which is no longer
8 devoted to the business of agriculture within seven years beyond
9 the transferor's date of death or does not derive a yearly gross
10 income of at least two thousand dollars (\$2,000) shall be
11 subject to inheritance tax due the Commonwealth under section
12 2107, in the amount that would have been paid or payable on the
13 basis of valuation authorized under section 2121 for nonexempt
14 transfers of property, plus interest thereon accruing as of the
15 transferor's date of death, at the rate established in section
16 2143.

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

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

1 department shall inform all owners of their obligation to
2 provide an annual certification under this subclause. This
3 certification and notification shall be completed in the form
4 and manner as provided by the department.

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

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

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

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

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

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

1 authorized under section 2121 for nonexempt transfers of
2 property. Interest shall accrue from the payment date
3 established under section 2142 at the rate established under
4 section 2143.

5 (2.1) The exemption under this subsection shall not apply to
6 property transferred by the decedent into the qualified family-
7 owned business within one year of the death of the decedent
8 unless the property was transferred for a legitimate business
9 purpose.

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

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

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

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

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

30 (ii) an interest in an entity carrying on a trade or

1 business, if:

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

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

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

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

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

17 "Qualified transferee." A decedent's:

18 (i) husband or wife;

19 (ii) lineal descendants;

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

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

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

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

1 a trust or similar arrangement or portion of a trust or similar
2 arrangement.

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

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

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

20 PART IV

21 RATE OF TAX

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

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

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

29 (1.1) Inheritance tax upon the transfer of property passing
30 to or for the use of a husband or wife shall be:

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

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

5 (1.2) Inheritance tax upon the transfer of property from a
6 child twenty-one years of age or younger to or for the use of a
7 natural parent, an adoptive parent or a stepparent of the child
8 shall be at the rate of zero per cent.

9 (1.3) Inheritance tax upon the transfer of property passing
10 to or for the use of a sibling shall be at the rate of twelve
11 per cent.

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

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

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

24 (2) When the decedent was a nonresident, the tax shall be
25 computed upon the value of real property and tangible personal
26 property having its situs in this Commonwealth, in excess of
27 unpaid property taxes assessed on the property and any
28 indebtedness for which it is liened, mortgaged or pledged, at
29 the rates in effect at the transferor's death. The person liable
30 to make the return under section 2136 may elect to have the tax

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

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

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

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

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

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

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

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

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

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

28 (b) In the event that a Federal estate tax is payable to the
29 Federal Government on the transfer of the taxable estate of a
30 decedent who was not a resident of this Commonwealth at the time

1 of his death but who owned or had an interest in real property
2 or tangible personal property having a situs in this
3 Commonwealth, a tax is imposed in an amount computed by
4 multiplying the maximum credit for State death taxes allowable
5 under section 2011 of the Internal Revenue Code of 1986 (26
6 U.S.C. § 2011) by a fraction, the numerator of which is the
7 value of the real property and tangible personal property to the
8 extent included in the decedent's gross estate for Federal
9 estate tax purposes having a situs in this Commonwealth and the
10 denominator of which is the value of the decedent's gross estate
11 for Federal estate tax purposes, and deducting from that amount
12 the inheritance tax, if any, actually paid to the Commonwealth
13 (disregarding interest or the amount of any discount allowed
14 under section 2142).

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

19 PART V

20 VALUATION

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

30 (b) The value of a life interest shall be determined in

1 accordance with rules and regulations promulgated by the
2 department. Until the promulgation of rules and regulations to
3 the contrary, the regulations in effect for Federal estate tax
4 purposes shall apply.

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

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

27 (e) The value of a future interest shall be determined in
28 accordance with rules and regulations promulgated by the
29 department. Until the promulgation of rules and regulations to
30 the contrary, the regulations in effect for Federal estate tax

1 purposes shall apply.

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

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

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

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

28 "Agricultural reserve." Noncommercial open space lands used
29 for outdoor recreation or the enjoyment of scenic or natural
30 beauty and open to the public for such use, without charge or

1 fee, on a nondiscriminatory basis.

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

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

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

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

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

1 particular use if it also meets the following conditions:

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

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

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

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

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

28 (c) (1) If any tract of land in agricultural use,
29 agricultural reserve or forest reserve, which is valued for
30 inheritance tax purposes under the provisions of this part, is

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

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

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

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

1 in this article except as provided in subclause (2).

2 (2) The owner of property subject to a preferential tax
3 assessment may split off land covered by the preferential tax
4 assessment within the seven-year period. The tract of land so
5 split-off shall not exceed two acres annually and may only be
6 used for residential use, agricultural use, agricultural reserve
7 or forest reserve and the construction of a residential dwelling
8 to be occupied by the person to whom the land is transferred.

9 The total parcel or parcels of land split-off under the
10 provisions of this subsection shall not exceed ten per cent or
11 ten acres, whichever is less, of the entire tract subject to the
12 preferential tax assessment. The split-off of a parcel of land
13 which meets the requirements of this subsection shall not
14 invalidate the preferential tax assessment if it continues to
15 meet the requirements of subsection (b).

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

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

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

5 PART VI

6 DEDUCTIONS

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

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

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

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

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

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

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

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

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

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

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

28 (2) State and foreign death taxes. Death taxes other than
29 the Federal estate tax, disregarding interest and penalty, paid
30 to other states and territories of the United States and to

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

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

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

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

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

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

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

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

29 (h) A pledge to a transferee exempt under the provisions of
30 subsection (c) of section 2111 is deductible if paid by the

1 estate, whether or not it is legally enforceable.

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

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

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

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

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

22 (3) Litigation expenses of beneficiaries.

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

27 (5) Expenses, debts, obligations and liabilities incurred in
28 connection with a qualified family-owned business interest
29 exempted from inheritance under section 2111(t) and any property
30 exempted from inheritance tax under section 2111(s) or (s.1).

PART VII

PAYMENT OF TAX

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

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

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

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

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

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

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

(f) When the decedent was a resident, the returns shall be filed with the register. When the decedent was a nonresident, the returns shall be filed with the register who issued letters, if any, in this Commonwealth; otherwise, the returns shall be

1 filed with the department.

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

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

28 Section 2139. Assessment of Tax.--After the appraisement has
29 been made and the allowance or disallowance of deductions
30 determined, the inheritance tax, as affected by the court's

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

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

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

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

28 Section 2143. Interest.--If the inheritance tax is not paid
29 before the date it becomes delinquent, interest on the unpaid
30 tax shall be charged after the date of delinquency at the rate

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

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

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

30 (c) In the absence of a contrary intent appearing in the

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

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

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

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

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

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

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

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

1 upon application of any party in interest, including the
2 personal representative, shall fix.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (d);

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

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

7 PART VIII

8 UNIFORM ACT ON INTERSTATE COMPROMISE AND

9 ARBITRATION OF INHERITANCE TAXES

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

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

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

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

29 Section 2159. Arbitration Board.--(a) The board shall have
30 the power to administer oaths, take testimony, subpoena and

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

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

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

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

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

28 Section 2160. Filing of Determination of Domicile and Other
29 Documents.--The department, register or board, or the executor
30 or administrator of the decedent, shall file the determination

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

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

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

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

26 PART IX

27 COLLECTION OF TAX

28 Section 2166. Timely Mailing Treated as Timely Filing and
29 Payment.--Notwithstanding the provisions of any State tax law to
30 the contrary, whenever a report or payment of all or any portion

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

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

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

30 Section 2169. Purchaser, Mortgagee or Lessee.--Unless suit

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

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

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

1 article shall cease as to the property sold.

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

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

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

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

30 (b) The department may, at any time, release all or any

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

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

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

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

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

30 (c) A citation to enforce payment of taxes due under this

1 article or compliance with the duties required by this article
2 shall be issued by the court upon application of the register,
3 department or Office of Attorney General whenever any of the
4 following occurs:

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

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

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

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

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

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

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

PART X

REFUND OF TAX

1
2
3 Section 2181. Refund of Tax.--(a) A refund shall be made of
4 any tax to which the Commonwealth is not rightfully or equitably
5 entitled provided the Commonwealth determines the refund is due
6 or application for refund is made within the appropriate time
7 limit as set forth in subsection (d).

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

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

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

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

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

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

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

1 which tax has been paid was erroneous; or

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

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

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

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

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

18 PART XI

19 DISPUTED TAX

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

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

29 (2) notify the register in writing that he elects to have
30 the correctness of the action complained of determined at the

1 audit of the account of the personal representative; or
2 (3) appeal to the court to have the correctness of the
3 action complained of determined at the audit of the account of
4 the personal representative, or at a time the court shall fix.
5 The protest, notification or appeal shall specify all the
6 objections to the action complained of. When the protest,
7 notification or appeal is filed by the Commonwealth, a copy
8 shall also be sent to the personal representative and to all
9 other persons who filed a tax return.

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

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

27 Section 2187. Bond.--No bond shall be required of any party
28 in interest who files a protest or notification against, or
29 appeals from, an appraisal, allowance or disallowance of a
30 deduction, assessment of tax or supplements or other matter

1 relating to the tax or from the decision of the department
2 following a protest or who petitions for removal of the record
3 to the court.

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

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

28 PART XII

29 ENTRY INTO SAFE DEPOSIT BOX

30 Section 2191. Entry Prohibited.--Unless provided otherwise

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

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

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

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

29 (d) Notwithstanding any of the provisions of this part, the
30 department, at any time and without relation to the death of a

1 specific decedent, by a certificate issued to a firm whose
2 business requires ready access to safe deposit boxes, may issue
3 a general authorization for the entry into, and removal of the
4 contents of, a safe deposit box of a decedent, under terms and
5 conditions as it may prescribe. A financial institution may
6 permit such entry and removal upon presentation to it of such
7 certificates issued by the department.

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

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

29 (b) The notice required under subsection (a) shall be
30 delivered to the United States Postal Service for mailing in a

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

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

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

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

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

30 (b) Any person, other than an employe of a financial

1 institution in which the safe deposit box of a decedent is
2 located, who, having actual knowledge of the death of a
3 decedent, enters a safe deposit box of the decedent in violation
4 of the provisions of this part commits a misdemeanor of the
5 third degree.

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

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

10 Section 2702. Petition for reassessment.

11 * * *

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

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

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

21 * * *

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

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