

1. Department of Revenue, Inheritance Tax Division (the "Division") Statistics

a. Returns

- i. The Division's current turn-around time is approximately 4 ½ - 5 months from the date the inheritance tax return is filed with the Register of Wills.

b. Phone calls

- i. On average, the Division handles approx. 950 inheritance tax calls per week.
- ii. Division employees will answer processing questions and provide general information, policies and procedures. You should contact the Office of the Chief Counsel ("OCC") if you would like a written legal opinion at:

1. OCC Contact:

PA Department of Revenue | Office of Chief Counsel
P.O. Box 281061 | Harrisburg PA 17128-1061
General Phone: (717) 787-1382.

- iii. The Division encourages you to review info on the website (<http://www.revenue.pa.gov> - instructions, FAQs). Also, questions may be submitted online; on the Department of Revenue's homepage, click on "Email us your tax question".

c. Staff

- i. The Division has a full complement in the estate exam and specialty tax section. Supervisor positions have been filled.
- ii. The Post Assessment section is working on filling 2 positions.

2. Current Division Initiatives

- a. Adding explanation of change to the back of the assessment notices for Joint Account and Record Adjustments. This is an internal processing efficiency.
- b. The Department of Revenue is looking to modernize inheritance and realty transfer tax systems.

- c. The Department of Revenue is currently working with the AOPC and the Register of Wills to modernize the Orphans' Court docketing system in order to create a standardized program to promote efficiency.
- d. The Division is addressing questions on the new Rev-1500.

3. "Pipeline" issues

a. Transferee Returns

- i. A transferee return takes the place of the Advance Payment Worksheet. This return type allows a transferee to report and pay separately from the estate filing.
- ii. However, filing all probate and non-probate assets on one return is more efficient. When possible, file one return for all assets in which the estate is liable for the tax.
- iii. A transferee return allows the beneficiary of a non-probate item to more easily keep their payments and filings separate from estate transactions.
- iv. The non-probate assets reported on the transferee return should not be included in the estate filing.
- v. Documentation of payment and deductions should be included with every transferee return. Funeral deductions will only be allowed if the probate estate is insufficient to pay the expenses and the transferee has paid or if the beneficiary/transferee was obligated to pay and has paid. Claimed deductions for funeral and other expenses generally incurred by an estate under administration will be viewed skeptically, and should be accompanied by a written statement explaining the need for the beneficiary to pay the expenses.
- vi. Other deductions may include those specifically associated with the non-probate asset being reported.
- vii. Don't request separate billing for non-probate assets that are reported on the estate's return. This can cause duplicate billing and delay finalization. Instead encourage the transferee to file a transferee return.

4. Real Estate

a. *Allowable deductions when real estate is sold/not sold*

- i. In general, the Division allows deductions for general upkeep and repairs necessary to sell the property (i.e. patch leaky roof, leaky plumbing).

- ii. In general, the Division does not allow improvements made to increase the value of the property.

b. Strict adherence to the 15 month period

- i. The Division strictly adheres to the 15 month sale period.
- ii. If a sale occurs after the 15 month sale period, a supplemental return may be filed to take deductions showing on the form HUD-1, but the sales price cannot be used as the value of the real estate (see directly below).

c. General Department of Revenue real estate asset preferences procedures

- i. Since the return is due 9 months from the DOD, there are 2 options: 1) report the DOD value and request an adjustment to the value if the sale occurred within the 15 month period or 2) file the original return identifying the property and request a suspension of the value on the return. You may only suspend the value up to 15 months.

5. Inheritance Tax Exemptions

- a. Business of Agriculture and Small Business Interest exemptions – transfers to a trust do not qualify. (A trust is not a qualified transferee for these exemption types.)
- b. Provide detailed description of farm/business for C-SB and AU.

6. Same Sex Bulletin (review)

- a. Same sex marriage was legally recognized within PA on May 20, 2014.
- b. Refund applications may be filed within the limitation under 72 PS 9181(d) for those returns that were assessed not recognizing same-sex marriages.

7. Best practices

- a. *Discount is based on 3 calendar months, not 90 days.*
- b. *Cannot take probate deductions (i.e. Dept. of Welfare/Human Services claims, etc.) against non-probate assets.*
- c. *Policy allows the sale price of real estate up to 15 months from date of death.*

- d. Supplemental returns should not duplicate previously reported items, and should not be used to adjust the value of a previously assessed item.*
- e. Schedule J should be completed for every return. Please list the actual relationship (e.g. spouse, child, cousin) rather than beneficiary class (e.g. lineal).*
- f. If the estate is claiming spouse only, they must attach a copy of the Will. If there is no Will, the box should not be checked.*
- g. When reporting unclaimed property or litigation funds, be sure to include date the property was actually received or interest cannot be abated.*
- h. Claiming spouse - For couples not sharing the same last name, provide a valid marriage certificate.*
- i. Use correct figures when completing schedule K. If a factor is necessary, contact the department.*
- j. A trust may only be deferred if it is a sole-use trust.*
- k. It is important to attach the correct documentation at the time of filing.*
 - i. If there is a trust, include a copy of the trust.*
 - ii. Provide deeds and evidence of value for real estate.*
 - iii. Be sure to attach wills to all returns.*
 - iv. Any return reporting a fractional interest in real estate should include a copy of the deed.*
 - v. Documentation supporting the method of real estate valuation should be included with every return.*
 - vi. For businesses, submit past 4 years of tax information regardless of appraisal attached. Include partnership agreements.*

8. Division Presenters' Contacts:

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