

INDIANA INHERITANCE TAX



GENERAL INSTRUCTIONS

Who Must File

The personal representative of the estate of an Indiana resident must file the inheritance tax return (Form IH-6). If there is no personal representative, one of the following must file: an heir, a trustee, a joint owner, or another transferee. No filing is required if the total fair market value of the property interests transferred by the decedent to each transferee under a taxable transfer(s) is less than the exemption provided to each transferee. Only one return should be filed per decedent.

When to Use This Form

Use this form only if the decedent was a resident of the State of Indiana at the time of death. For a non-resident decedent, use Form IH-12, available at www.in.gov/dor/3509.htm; contact the Department of Revenue, Inheritance Tax, Indiana Government Center North, 100 North Senate Ave., Room N248, Mail Stop #102, Indianapolis, Indiana, 46204; or call (317) 232-2154 for a copy of Form IH-12.

When to File This Form

This form must be filed within 9 months of the date of death. If an appropriate probate court determines that, due to an unavoidable delay, the tax cannot be determined within 9 months, the court may extend the period for filing. Without an extension, a penalty may be assessed by that court for failure to file on time. However, an extension will not stop the accrual of interest.

Where to File This Form

The Inheritance Tax Return must be filed in the probate court of the Indiana county in which the decedent was a resident at death or in the probate court in which the decedent's estate is being administered.

Payment

The resident inheritance tax is to be paid to the county treasurer of the decedent's county of residence. There is a 5% discount for payments made within 9 months of the decedent's date of death. Payments made more than one year after the date of death accrue interest at 10% per year from the date of death until the date of the payment. If an appropriate probate court determines that, due to an unavoidable delay, the tax cannot be determined within 12 months, the court may reduce the interest rate to 6%.

Additional Requirements

1. QTIP Election

If you elect to treat property passing from the decedent as property transferred directly to the surviving spouse for Indiana inheritance tax purposes, the election must be made in writing and attached to the original return. Electing on the U.S. Estate Tax Return (Form 706) is not an election on this return. See 45 Ind. Admin. Code 4.1-3-5(b) for an acceptable form for the Indiana QTIP election. Once made, the QTIP election is irrevocable.

2. Supplemental Documents

You must attach all supplemental documents used to substantiate the statements contained in the return to the back of the return when you file it. Examples include appraisals, trusts, affidavits, disclaimers, elections, death certificates, and all other documents necessary to complete the audit of the return.

3. Power of Attorney

If the preparer is not a lawyer or a transferee of the decedent's estate and the personal representative wants the Department to disclose information to the preparer, a completed Form IH-28, power of attorney, must be provided.

4. Dollar Amounts

Dollar amounts may be rounded to the nearest dollar.

5. Fair Market Value

All property transferred should be valued at the fair market value on the date of the decedent's death except when the alternative valuation is properly elected, used, and accepted for federal estate tax purposes; then the alternative valuation should also be used for inheritance tax. The fair market value is the price to which a willing buyer and a willing seller agree, neither being under compulsion to buy or sell, and both being fully aware of all relevant facts surrounding the exchange. Attach a copy of all appraisals or closing statements for such real estate to the return.

6. Additional Pages

If there is not enough space available on any page, continue the list on an additional page and attach it immediately after such page.

Page-by-Page Instructions

Page One — General Instructions

You must place the decedent's Social Security number in box 3.

If the decedent died testate, attach a copy of the Will to the return. If the decedent died intestate, check the box in item 10.

Even if no U.S. Estate Tax Return (Form 706) is required to be filed, you must check the appropriate box at item 12. If a Form 706 is filed with the Internal Revenue Service, you are also required to file a copy with the Indiana Department of Revenue.

Page Two — Inheritance Tax Computation

List all persons, including corporations and other organizations, receiving an interest from the decedent no matter how the transfer took place. Also list the current address of each beneficiary. If the space provided is not adequate to list all beneficiaries, attach additional pages immediately after this page.

For individuals dying after June 30, 2012, a transfer to a partnership, a limited partnership, a limited liability partnership, an association, a corporation, a limited liability company, a trust, or a similar entity will be considered a transfer to each individual with a beneficial (whether discretionary or not) or ownership interest in the entity. Each individual is liable for a percentage of taxes imposed equal to that individual's beneficial or ownership interest in that entity. List the name and address of the entity and each beneficiary or owner of the entity and their respective percentage of beneficial or ownership interest in the entity. Please contact a professional who is familiar with inheritance tax matters or the Department's Inheritance Tax Division for clarification on the taxation of transfers to such entities.

In the next column list the relationship of the beneficiary to the decedent. Include enough information to determine the class to

which the beneficiary belongs. For example: Lisa Smith, niece, daughter of decedent's brother. Also list the entire birth date of each beneficiary. Failure to completely describe the relationship or to list the birth date can significantly slow the audit of the return.

When stating the value of interest each beneficiary is to receive (column 3), list the total value of the property interests transferred to each beneficiary.

The amount of each beneficiary's exemption (column 4) is determined by the relationship of that beneficiary to the decedent.

For dates of death after July 1, 1997, but before January 1, 2012, the following exemptions apply:

1. Surviving spouse and charitable organizations are 100% exempt.
2. **Class A**
Parents, children, grandparents, grandchildren, and other lineal ancestors and lineal descendants and persons legally adopted before emancipation\$100,000
*for deaths after June 30, 2004, stepchildren are Class A
*for adoptions completed before July 1, 2004, adopted persons adopted after emancipation are Class A
3. **Class B**
Brothers, sisters, lineal descendants of brothers or sisters, daughters-in-law, and sons-in-law\$500
4. **Class C**
Anyone not listed above including, but not limited to aunts, uncles, cousins, friends, nieces, and nephews by marriage\$100

For dates of death after December 31, 2011, the following exemptions apply:

1. Surviving spouse and charitable organizations are 100% exempt.
2. **Class A**
Parents, children, stepchildren, spouse, widow, or widower of a child or stepchild (sons-in-law or daughters-in-law), grandparents, grandchildren, and other lineal ancestors and lineal descendants and children adopted prior to emancipation..... \$250,000
3. **Class B**
Brothers, sisters, and lineal descendants of brothers or sisters (blood nieces and nephews)..... \$500
4. **Class C**
Anyone not listed above including, but not limited to aunts, uncles, cousins, friends, nieces, and nephews by marriage \$100

Enter in the final column the amount of inheritance tax due for each beneficiary. Compute the amount of tax due for each beneficiary by multiplying that beneficiary's net taxable interest (i.e., the total value of interest minus the applicable exemption) by the appropriate tax rate. The inheritance tax rates are

Class A

Net Taxable Value Of Property Interests Transferred	Inheritance Tax
\$25,000 or less	1% of net taxable value
Over \$25,000 but not over \$50,000	\$250, plus 2% of net taxable value over \$25,000
Over \$50,000 but not over \$200,000	\$750, plus 3% of net taxable value over \$50,000
Over \$200,000 but not over \$300,000	\$5,250, plus 4% of net taxable value over \$200,000
Over \$300,000 but not over \$500,000	\$9,250, plus 5% of net taxable value over \$300,000
Over \$500,000 but not over \$700,000	\$19,250, plus 6% of net taxable value over \$500,000
Over \$700,000 but not over \$1,000,000	\$31,250, plus 7% of net taxable value over \$700,000
Over \$1,000,000 but not over \$1,500,000	\$52,250 plus 8% of net taxable value over \$1,000,000
Over \$1,500,000	\$92,250 plus 10% of net taxable value over \$1,500,000

Class B

Net Taxable Value Of Property Interests Transferred	Inheritance Tax
\$100,000 or less	7% of net taxable value
Over \$100,000 but not over \$500,000	\$7,000, plus 10% of net taxable value over \$100,000
Over \$500,000 but not over \$1,000,000	\$47,000, plus 12% of net taxable value over \$500,000
Over \$1,000,000	\$107,000, plus 15% of net taxable value over \$1,000,000

Class C

Net Taxable Value Of Property Interests Transferred	Inheritance Tax
\$100,000 or less	10% of net taxable value
Over \$100,000 but not over \$1,000,000	\$10,000, plus 15% of net taxable value over \$100,000
Over \$1,000,000	\$145,000, plus 20% of net taxable value over \$1,000,000

Credit

There will be a gradual 9-year phase-out of Indiana's inheritance tax starting in 2013 and ending in 2022 via an increasing tax credit. The credit is tied to individuals dying during a particular calendar year, and the credit increases in 10% increments each year starting in 2013.

The credit is to be applied by the county treasurer or the Department of Revenue when the tax is paid. At the end of these instructions is an Inheritance Tax Payment Computation Worksheet to help you calculate the correct payment, taking into account the appropriate credit.

Year of Death	Credit
2013	10%
2014	20%
2015	30%
2016	40%
2017	50%
2018	60%
2019	70%
2020	80%
2021	90%
2022	repealed

The tax is repealed for decedents dying after December 31, 2021.

Page Three—Schedule A—Real Estate

List every parcel of Indiana real property in which the decedent had any right, title, or interest at the time of death and which was transferred at death by Will or by intestate succession. Include real property that the decedent was buying on contract at the time of death. Do not include real property held jointly with rights of survivorship with one or more persons, real property held by the entirety, real property held in a trust, or real property that the decedent was selling on contract on this page because it will be reported on other schedules.

Describe the property in enough detail so that it can be identified for valuation. Example: If the Will refers to the property as “the Smith Farm,” that land should be listed as “the Smith Farm” followed by its legal description on Schedule A. If the real property is transferred in two or more parcels to different transferees, each parcel should be separately valued on this schedule. To assist in auditing the return, include the parcel number along with the real estate description and address.

Page Four — Schedule B — Cash, Deposits, Mortgages, Notes, Stocks and Bonds, Life Insurance Payable to the Estate

List all of the moneys that the decedent owned in his or her name alone, whether in his or her immediate possession or standing in his or her credit in any holding institution no matter where that is located. List the name of the holding institution, type of account (i.e., savings, checking, certificate of deposit, money market, etc.), account number, amount in the account, and any interest that accrued at the decedent’s death.

List all mortgages and notes payable to the decedent at the time of death, with the following information: (1) the face value and unpaid balance, including interest to the date of death; (2) the date of the mortgage or note; (3) the date of maturity; (4) the name of the maker; and (5) the interest date and interest rates.

List all stocks and bonds that the decedent owned in his or her name alone on the date of death. For stocks, describe: (1) the number of

shares; (2) whether common or preferred; (3) the price per share; (4) the exact name of the corporation; (5) principal exchange upon which sold, if listed on any exchange; and (6) the CUSIP number, if available. The price per share is the mean between the highest and lowest selling prices quoted on the date of the decedent’s death. For bonds, describe: (1) quantity and denomination; (2) number of the obligor; (3) date of maturity; (4) interest rate; (5) interest due date; (6) principal exchange, if listed on an exchange; and (7) CUSIP number, if available. List the interest and any dividends for each separately.

List any life insurance policies on the decedent’s life that were payable to the decedent’s estate. Attach a copy of Form 712 to the return.

List on this schedule any contract by the decedent to sell real estate. List the name of the purchaser, the date of the contract, a brief description of the real estate, the selling price, interest rates, and the unpaid balance of principal and interest at the time of the decedent’s death. Include a copy of the contract with the filed return.

Page Five — Schedule C — Other Miscellaneous Property Transferred by Will or Intestate Law

Schedule C is a catchall. All other personal property, either tangible or intangible, that the decedent owned individually at the time of death and that is transferred by Will or intestate succession at death is to be listed here, including but not limited to:

- household goods
- automobiles
- works of art
- books
- silverware
- growing crops
- all partnership and unincorporated business interests may have in the estate or trust
- any beneficial interest decedent of another
- clothing
- jewelry
- boats
- livestock
- farm machinery
- royalty interests
- any refunds due the decedent at death or because of death
- any other property interest that the decedent solely owned and that are not listed on the two preceding schedules

This schedule does not include property the decedent owned jointly or that was transferred by some means other than by Will or by intestate succession (for example, by beneficiary designation).

Page Six — Schedule D — Annuities, Pensions, Retirement Plans and Other Death Benefits

List all annuities, pensions, retirement plans, and other death benefits to which the decedent had a right at his or her death. Identify the payee or beneficiary of each annuity or pension plan. To calculate the present value of installment payments, use the October 1, 1988, unisex 10% actuarial tables.

Page Seven — Schedule E — Transfers Other than by Will or Intestate Law

Any transfer of property interest from the decedent to a transferee that is completed at death and is not transferred by Will or by intestate succession should be listed on this schedule:

1. Trust

Assets the decedent transferred into a trust prior to death may be subject to the Indiana inheritance tax. List every asset of the decedent's trust on this schedule. Include all Indiana property held in the trust, but not out-of-state real property. These assets are to be valued at their fair market value on the date of the decedent's death or on the alternative valuation date if properly elected on Form 706 and accepted by the IRS. Include a copy of the instrument creating the trust with the return.

2. Power of Appointment

List all property interests that are transferred at the decedent's death by the decedent's exercise of any power of appointment or by the decedent's failure to exercise such power vested in him or her. Include a brief statement of the source of the power, and include a copy of the instrument with the return.

3. Transfers in Contemplation of Death

List all transfers of real or personal property the decedent made by deed, gift, or bargain sale in contemplation of death. Also list all transfers within one year prior to death. Indicate the date of each transfer, the name of each transferee, the type of property interest transferred, and the fair market value of the property interest transferred as of the date of transfer.

Transfers within the year preceding death are presumed to have been made in contemplation of the death. However, this presumption is rebuttable. To rebut the presumption, set forth all facts necessary for a proper determination of the taxability of such transfers. Include supporting documents with the return.

4. Transfers Intended to Take Effect in Possession or Enjoyment at or after Death

List all property transferred by the decedent for less than full consideration if the transferee did not receive full possession and enjoyment of such property until at or after the decedent's death. This includes property the decedent transferred subject to a retained life estate. You must value such property at full fair market value at the time of the decedent's death. Example 1: John deeds his farm to Mary and Sam in 1970, retaining a life estate in the property. In 2012, when John dies, the full fair market value of the farm is included in John's estate for inheritance tax purposes. Example 2: John opens a bank account designating Mary as the beneficiary of such bank account at his death.

5. Transfer on Death or Payable on Death

List all property, real or personal, which is designated as "transfer on death" (TOD) or "payable on death" (POD) at the fair market date of death value.

6. Joint Tenancies with Rights of Survivorship

All property, whether real or personal, in which the decedent held an interest at the time of death as a joint tenant with rights of survivorship must be entered on this schedule. Describe the joint property and list the names of the joint tenants.

Include the full fair market value of the jointly owned property on Schedule E. If you believe that less than the full value of the entire property is includible for tax purposes, you must establish your right to exclude part of the value. Attach any documentation that might substantiate the use of the lesser value to the back of the return.

Page Eight — Schedule F — Deductions

All lawful claims against the decedent's estate and necessary costs of administering the estate may be deducted from the value of property interests transferred by the decedent by Will, by intestate law, or by trust. If the value of the deductions exceeds the property interest transferred by Will, by intestate law, and by trust, the remaining value may be deducted from property interests transferred by other means providing these expenses are actually paid from those assets.

The following items may be deductible:

- Decedent's funeral expenses.
- Reasonable attorney fees, personal representative fees, and trustee fees for administration of property subject to Indiana inheritance tax.
- Lawful debts the decedent died owing.
- Amounts, not to exceed \$1,000, paid for a memorial for decedent.
- The amount of any allowance paid to decedent's spouse or family pursuant to Ind. Code 29-1-4-1.
- Taxes on the decedent's real property that is subject to the Indiana inheritance tax, if the taxes were a lien on the real property at the time of the decedent's death.
- Taxes on the decedent's personal property that is subject to the Indiana inheritance tax if such taxes were due and owing at the time of the decedent's death.
- Unpaid individual income taxes, both federal and state, on the decedent's income to date of death.
- Inheritance, estate, or transfer taxes imposed by other states with respect to property that is also subject to the Indiana inheritance tax. This does not include any federal estate tax or fiduciary income taxes.
- Any mortgage that is a lien against real property that is subject to Indiana inheritance tax.

Nondeductible items include, but are not limited to, the following:

- Fiduciary income taxes
- Funeral flowers
- Federal estate tax
- Estimated selling expenses of unsold real estate
- Expenses connected with property not subject to Indiana Inheritance tax
- Funeral dinners
- Traveling expenses for beneficiaries, or others, to attend the decedent's funeral
- Income tax incurred by the estate or beneficiaries upon liquidating or receiving estate property (for instance, income tax on an annuity or retirement account)
- Indiana inheritance tax incurred as a result of a decedent's death

Indiana Inheritance Tax Payment Computation Worksheet

Name of Decedent

Date of Death

_____-_____-_____
Decedent's Social Security Number

1. **Total Tax** from Inheritance Tax Computation Page of Form IH-6 _____
2. Insert applicable credit percentage based on year of death (see chart below) _____
3. Multiply line 1 by line 2 and enter result _____
4. Subtract line 3 from line 1 (**Net Tax After Credit**) _____
5. If tax is being paid within 9 months of date of death, multiply line 4 by 5%,
if tax is being paid after 9 months from the date of death, enter 0 _____
6. Subtract line 5 from line 4 and enter result – **Pay This Amount*** _____

Year of Individual's Death	Inheritance Tax Phase Out Credit
2012	0%
2013	10%
2014	20%
2015	30%
2016	40%
2017	50%
2018	60%
2019	70%
2020	80%
2021	90%
After 12/31/2021	Tax Repealed

* If any payment is being made after 12 months from the date of death, please submit this worksheet to the appropriate County Treasurer or Department of Revenue for calculation of **interest** due.

If the return is **filed** more than 9 months after the date of death, a **penalty** of \$0.50 per day will need to be added to the payment, up to a maximum penalty of \$50.00.