



Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

S.B. 16

129th General Assembly
(As Introduced)

Sen. Wilson

BILL SUMMARY

- Authorizes estate taxpayers to deduct, for purposes of calculating the value of a decedent's net taxable estate, the value of the decedent's property that is burdened by a perpetual conservation or agricultural easement or enrolled in an agricultural security area.

CONTENT AND OPERATION

Exclusion of qualifying property from a decedent's net taxable estate

Calculation of net taxable estate

Under current law, estates with a net taxable value of over \$338,333 are required to pay an estate tax based on a percentage of the estate's net taxable value.¹ The value of a decedent's net taxable estate equals the gross value of the estate less various deductions allowed by law. The bill provides for a deduction from an estate's gross value for the value of qualifying property burdened by a conservation or agricultural easement or enrolled in an agricultural security area (ASA) when the decedent dies. The result is to exempt the value of that qualifying property from the estate tax.²

¹ Resident estates with a net taxable value between \$338,333 and \$500,000 are subject to a 6% tax rate on any net taxable value over \$338,333. A 7% tax rate applies to any net taxable value over \$500,000. R.C. 5731.02. The estate tax on nonresidents is determined by calculating the amount of tax that would be due if the decedent were an Ohio resident, and multiplying the result by a fraction equal the ratio of Ohio-based property to all of the decedent's property. R.C. 5731.19.

² R.C. 5731.15(D).

Qualifying property

Property subject to conservation and agricultural easements

Under current law, a conservation or agricultural easement provides its holder with a property interest in real property owned by another person. The purpose of a conservation easement is to ensure that the property is preserved in its natural or scenic state; similarly, the purpose of an agricultural easement is to ensure preservation of the land for predominantly agricultural use. The easement restricts the property owner's use or development of the property if that use or development would impede the stated preservation purpose. Accordingly, the easement holder may have the ability to enter the property to ensure compliance with the purpose of the easement.³

A property owner may grant a conservation or agricultural easement to an agency of the federal government or to a county, township, municipal corporation, or charitable organization. Conservation easements may also be granted to the Department of Natural Resources or to a park district, township park district, conservancy district, or soil and water conservation district. Property owners also may grant an agricultural easement to the Director of Agriculture.⁴

Under the bill, in order to qualify for exemption from a decedent's gross estate, real property subject to a conservation or agricultural easement must have been granted in perpetuity (indefinitely) to one of the above entities.⁵

Property enrolled in an agricultural security area

Existing law allows the owners of at least 500 acres of contiguous farmland to create and enroll in an agricultural security area for a ten-year period. Once enrolled in the ASA, farm owners commit to using the enrolled property exclusively for agricultural purposes for the following ten years. In return, the farm owners receive certain benefits, including eligibility for partial tax exemption and protection from non-agricultural development within the ASA.⁶ Newly built buildings or other improvements devoted to agricultural use may be exempted from taxation on up to 75% of their value if their value is at least \$25,000.⁷ ASAs may be renewed for additional ten-year periods if the land continues to qualify.

³ R.C. 5301.67.

⁴ R.C. 5301.69.

⁵ R.C. 5731.15(D)(1).

⁶ R.C. Chapter 931.

⁷ R.C. 5709.28.

Effective date

The deduction applies to the estates of decedents dying on or after the effective date of the act.

HISTORY

ACTION	DATE
Introduced	02-01-11

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