Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

S.B. 90

129th General Assembly
(As Introduced)

Sens. Jordan, Faber, Hite, Obhof, Schaffer

BILL SUMMARY

- Repeals the estate tax effective January 1, 2011.

CONTENT AND OPERATION

Estate tax

The bill effectively repeals the Ohio estate tax by limiting its application to estates of decedents dying before January 1, 2011. Estates of persons dying on or after that date would not be subject to the tax.

Current law

The Ohio estate tax consists of two separate levies: a levy on the estates of Ohio residents, and a levy on the portion of a nonresident's estate that is located in Ohio.

The tax on Ohio residents' estates is levied on the value of the taxable estate, which generally is the value of all property in which the decedent had an interest on the date of death, minus certain deductions for marital transfers, debts, charitable donations, and administration expenses, among other things. The tax is levied at graduated rates, through six tax brackets, ranging from 2% for taxable estates of $40,000 or less, to $23,600 plus 7% of the excess over $500,000 for estates of more than $500,000.

A credit is allowed in the amount of $13,900, which equates to a deduction of $338,333. Thus, taxable estates worth $338,333 or less owe no tax. If the gross estate does not exceed that threshold, no tax return must be filed.

The nonresident estate tax is levied on the portion of a nonresident's estate that is located in Ohio. The tax is determined by dividing the gross value of the property

located in Ohio by the entire gross estate, wherever located. That fraction is then multiplied by the tax the estate would owe if the decedent had been an Ohio resident.

Intangible personal property located in Ohio owned by a nonresident is not taxed unless it is used to carry on a business within Ohio. If it is used to carry on a business within Ohio, it will not be taxed if the state where the nonresident was domiciled would not tax the intangible personal property of decedents domiciled in Ohio.

Estate tax revenues are divided between the state and the local government where the tax is deemed to have originated: 80% is distributed to the local government, and 20% is distributed to the state General Revenue Fund. Origination of a tax depends upon the type of property, its location when the decedent died, and whether it is owned by a resident or by a nonresident.

HISTORY

ACTION	DATE
Introduced	02-23-11

S0090-I-129.docx/jc