



- The bill raises the exemption threshold for estates with dates of death after the bill's effective date but before January 1, 2008, from \$338,333 to \$500,000. Raising the minimum estate tax threshold would exempt many estates from the tax, thus reducing estate tax revenue collections and amounts distributed to local subdivisions.
  - The bill eliminates the state estate tax on December 31, 2007 and authorizes townships and municipal corporations to levy a local estate tax. If approved by its voters, the local estate tax would be effective on January 1, 2008.
  - The bill also establishes local estate tax thresholds and maximum tax rates. These changes would affect the local estate tax revenue of townships and municipal corporations choosing to levy a local estate tax. However, the fiscal impact cannot be determined.
  - The local fiscal impact may not be fully realized until late FY 2008 or early FY 2009 because estate tax returns are not due until nine months after the date of death. In addition, extensions may be filed. Currently, the distribution of estate tax revenues for dates of death after January 1, 2002 is 20% to the GRF and 80% to the township or municipality of estate origin.
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## ***Detailed Fiscal Analysis***

The bill proposes to raise the minimum taxable estate threshold for 2007 and to eliminate the state estate tax on December 31, 2007. However, the bill allows townships and municipal corporations to levy a local estate tax beginning on January 1, 2008, and establishes new tax rates and minimum taxable estate thresholds for townships and municipal corporations that choose to levy a local estate tax.

The estate tax is one of the state's more volatile revenue sources. Any fiscal impact from the bill would depend on several factors such as the number of townships or municipal corporations that opt to levy a local estate tax as of January 1, 2008, the number of taxable estates in each township or municipal corporation on the dates of death, and the effective tax rates levied by particular townships and municipal corporations in a particular year. In FY 2006, total estate tax collections were \$270.5 million; the GRF received \$54.1 million while the remaining \$216.4 million was distributed to the townships and municipalities of estate origin.

### **State Estate Tax**

The bill raises the exemption threshold for estates with dates of death after the bill's effective date but before January 1, 2008 from \$338,333 to \$500,000. Under the bill, any estates with gross values less than \$500,000 would owe no estate tax and would not be required to file an estate tax return. Raising the minimum estate tax threshold would exempt many estates in Ohio and would reduce estate tax revenue collections. The state GRF would bear 20% of the total revenue loss and the remaining 80% of the revenue loss would fall on townships and municipalities. Beginning with dates of death after January 1, 2008, the state estate tax would be eliminated and the state GRF would not receive any estate tax revenue. Townships and municipal corporations of estates' origin would also no longer receive revenue from the eliminated tax.

The fiscal impact may not be fully realized until FY 2009 because estate tax returns are not due until nine months after the date of death. In addition, extensions may be filed.

**Local Government Estate Tax**

The bill authorizes townships and municipal corporations to levy a local estate tax. However, an ordinance or resolution must be certified to the county board of elections by August 23, 2007 and approved by its voters at the November 6, 2007 election. If approved, the local estate tax would be effective on January 1, 2008.

The bill establishes local estate tax exemption thresholds. Any estates with estate values below the threshold would not be subject to the local estate tax. Raising the minimum local estate tax threshold would exempt many estates and would reduce local estate tax revenue collections.

The bill also permits a township or municipal corporation to establish its own tax rates, up to certain maximum rates. Table 1 below shows the bill's proposed minimum threshold and maximum tax rates allowed.

**Table 1: Proposed Local Estate Tax Thresholds and Maximum Tax Rates**

<b>Year of Death</b>	<b>Local Tax Threshold</b>	<b>Maximum Tax Rates</b>
2008	\$400,000	4.8%
2009	\$500,000	5.6%
2010 and thereafter	\$600,000	5.6%

For estates of dates of death on or after January 1, 2008, local subdivisions would bear the full fiscal impact of the bill. However, the change in revenue compared to the current tax cannot be determined. In addition, the number and value of estates in excess of the thresholds can fluctuate and actual collections may vary significantly over time.

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