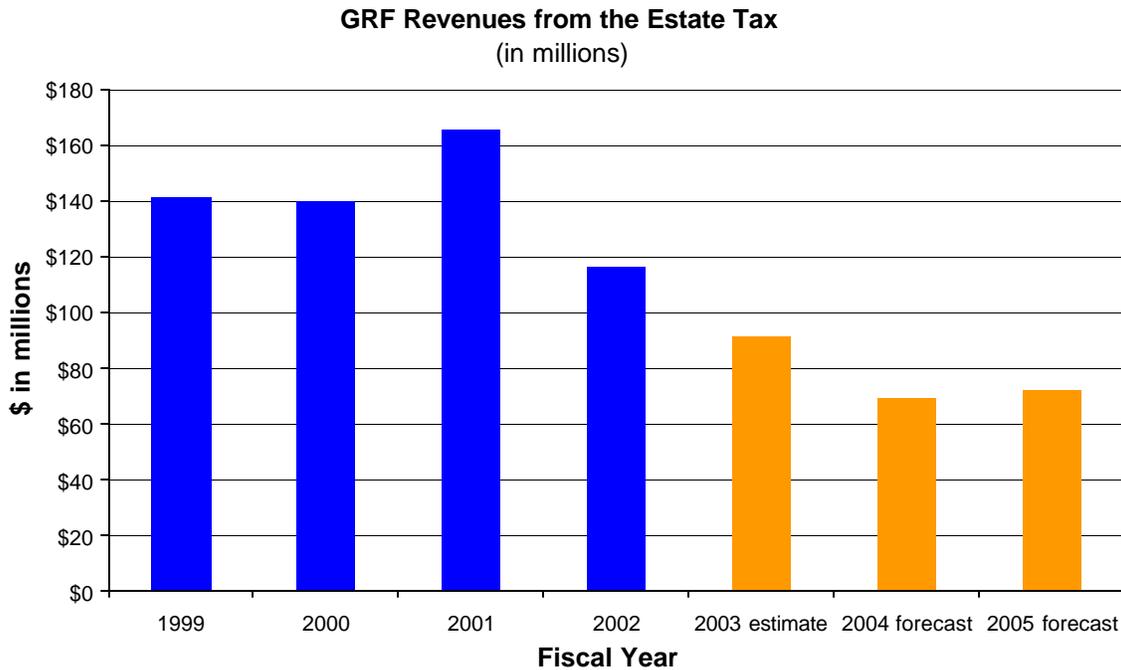


## Estate Tax



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
Estate	\$141.5	\$140.0	\$166.0	\$116.3	\$91.0	\$69.0	\$72.0
growth	23.2%	-1.1%	18.6%	-30.0%	-21.7%	-24.2%	4.3%

The forecast for the Estate Tax is based on historical trend analysis. Estate Tax revenues are estimated to decrease from \$91 million to \$69 million in FY 2004. In FY 2005, estate tax revenues are estimated to increase by 4% to \$72 million.

Estate tax is one of the more volatile state revenue sources as the estate of a very wealthy individual can account for 10% or more of the total state estate tax revenues. Estate Tax return is filed within nine months of a person's date of death. The municipal corporation or township of origin receives 80% of the revenue and the General Revenue Fund (GRF) receives the remaining 20%, less cost of local administration for estates with dates of death from January 1, 2002. The tax is progressive with rates ranging from 2% of the taxable estate to 7% of the value of the taxable estate over \$675,000.

The estate tax is assessed upon the total assets owned by a decedent (either solely or in conjunction with another person) who was a resident of Ohio at time of death. The tax due is based on the net value of the decedent's estate. This net value is based on the gross value minus the debts and administration expenses of the estate. The gross value is made up of all assets, such as real estate, bank accounts, stocks, bonds, etc. The debts and

administration expenses are made up of funeral costs, attorney and executor fees, outstanding bills in the name of the decedent, etc. Ohio also allows an unlimited marital deduction that allows property to pass from one spouse to another without taxation for dates of death on and after July 1, 1993. This can result in no estate tax on property passing to a surviving spouse.

Senate Bill 108 of 123rd General Assembly (effective September 29, 2000), reduced Ohio's death taxes by 36% for estates valued under \$675,000, which is the current federal exemption figure. It also increases the size of estates exempted from paying any death taxes from \$200,000 net taxable value to \$338,000. That provision affects about 12% of estates. (figure from S.B. 108).

In the next biennium, Ohio estate tax revenue is also affected by the federal estate tax repealed under HR 1836 -- The Economic Growth and Tax Relief Reconciliation Act 2001. Ohio levied an estate tax but has no inheritance tax. Federal estate taxes are assessed on the net worth of an individual at death. No tax is levied for the first \$675,000 of the estate, but beyond that threshold taxes are assessed at a rate ranging from 37% to 55%. The unified estate and gift tax rates decreases and the exemption from the estate increases each year until it is completely repealed in 2010.