

CHAPTER 450B

QUALIFIED USE INHERITANCE TAX

Referred to in [§450.37](#)

450B.1	Definitions.	450B.4	Reserved.
450B.2	Alternate election of value for qualified use.	450B.5	Ratio of applicable tax.
450B.3	Additional inheritance tax applicable.	450B.6	Lien of tax.
		450B.7	Other inheritance tax laws applicable.

450B.1 Definitions.

As used in [this chapter](#), unless the context otherwise requires:

1. “*Internal Revenue Code*” means the same as defined in [section 422.3](#).
2. “*Qualified real property*”, “*qualified use*”, “*cessation of qualified use*”, and “*qualified heir*” mean the same as defined in section 2032A of the Internal Revenue Code.
3. “*Taxpayer*” means a qualified heir liable for the inheritance tax imposed under [chapter 450](#) on qualified real property.
4. For purposes of [subsection 1](#), the Internal Revenue Code shall be interpreted to include the provisions of Pub. L. No. 98-4.

[[81 Acts, ch 147, §12](#)]

[83 Acts, ch 179, §18, 23](#); [84 Acts, ch 1305, §39](#); [88 Acts, ch 1028, §39](#)

450B.2 Alternate election of value for qualified use.

1. Notwithstanding [section 450.37](#), the value of qualified real property for the purpose of the tax imposed under [chapter 450](#) may, at the election of the taxpayer, be its value for the use under which it qualifies as prescribed by section 2032A of the Internal Revenue Code. A taxpayer may make an election under [this section](#) only if all of the following conditions are met:

a. An election for federal estate tax purposes was made with regard to the qualified real property under section 2032A of the Internal Revenue Code.

b. All persons who signed the agreement referred to in section 2032A(d)(2) of the Internal Revenue Code make the election under [this section](#) and sign an agreement with the department of revenue consenting to the application of [section 450B.3](#) with respect to the qualified real property.

c. The total decrease in the value of the qualified real property as a result of the election under [this section](#) does not exceed the dollar limitation specified in section 2032A(a)(2) of the Internal Revenue Code.

2. The election under [this section](#) shall be made by the taxpayer in the manner as the director of revenue may prescribe by rule. The value for the qualified use under [this section](#) shall be the value as determined and accepted for federal estate tax purposes.

3. The definitions and special rules specified in section 2032A(e) of the Internal Revenue Code shall apply with respect to qualified real property for which an election was made under [this section](#) except that rules shall be prescribed by the director of revenue in lieu of the regulations promulgated by the secretary of the treasury.

4. The director shall prescribe regulations setting forth the application of [this chapter](#) in the case of an interest in a partnership, corporation, or trust which, with respect to the decedent, is an interest in a closely held business within the meaning of section 6166(b)(1) of the Internal Revenue Code. Such regulations shall conform as nearly as possible with the regulations promulgated by the United States secretary of the treasury in respect to such interests.

[[81 Acts, ch 147, §13](#)]

[88 Acts, ch 1028, §40](#); [2003 Acts, ch 145, §286](#); [2011 Acts, ch 25, §143](#)

Referred to in [§450B.3](#), [§450B.5](#), [§450B.6](#)

450B.3 Additional inheritance tax applicable.

There is imposed upon the qualified heir an additional inheritance tax if, within ten years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of, other than to a member of the family, any interest in qualified real property for which an election under [section 450B.2](#) was made or ceases to use for the qualified use the qualified real property for which an election under [section 450B.2](#) was made as prescribed in section 2032A(c) of the Internal Revenue Code. The additional inheritance tax shall be the amount computed under [section 450B.5](#) and shall be due six months after the date of the disposition or cessation of qualified use referred to in [this section](#). The amount of the additional inheritance tax shall accrue interest at the rate of ten percent per year from nine months after the decedent's death to the due date of the tax. The tax shall be paid to the department of revenue and shall be deposited into the general fund of the state. Taxes not paid within the time prescribed in [this section](#) shall draw interest at the rate of ten percent per annum until paid. There shall not be an additional inheritance tax if the disposition or cessation occurs ten years or more after the decedent's death.

[[81 Acts, ch 147, §14, 15](#); [82 Acts, ch 1023, §26, 27, 34](#)]

[88 Acts, ch 1028, §41](#); [2003 Acts, ch 145, §286](#)

Referred to in [§450B.2, §450B.5, §450B.6](#)

450B.4 Reserved.**450B.5 Ratio of applicable tax.**

The amount of the additional inheritance tax imposed by [section 450B.3](#) is the excess of what the tax imposed by [chapter 450](#) would have been had the election to use the qualified use valuation under [section 450B.2](#) not been made over the tax paid on the real estate based on qualified use valuation. However, if all of the real estate valued under [section 450B.2](#) is not disposed of or does not cease to be used for the qualified use, the amount of the additional inheritance tax is the amount computed by applying the ratio that the real estate subject to the qualified use valuation which has been disposed of or which the qualified use ceases bears to all the real estate subject to the qualified use valuation passing to the taxpayer to the excess of the tax which would have been imposed by [chapter 450](#) had the election under [section 450B.2](#) not been made over the tax paid on the real estate based on qualified use valuation. However, the additional inheritance tax shall not be computed on a value greater than the fair market value of the qualified real estate at the time the disposition or cessation of the qualified use occurs.

[[81 Acts, ch 147, §16](#)]

Referred to in [§450B.3](#)

450B.6 Lien of tax.

A lien is created in favor of the state for the additional inheritance tax which may be imposed by [section 450B.3](#) on the qualified real property for which an election has been made under [section 450B.2](#). The lien created by [this section](#) shall continue until the tax has been paid or ten years after the tax is due, whichever date occurs first. However, the lien shall expire ten years after the decedent's death if the qualified heir has not disposed of or ceased to use for the qualified use the qualified real property which would impose the tax under [section 450B.3](#). The department of revenue may release the lien prior to the payment of the tax due, if any, if adequate security for payment of the tax is given.

Unless the lien has been perfected by recording in the office of the recorder in the county where the estate is probated, a transfer of the qualified real property to a bona fide purchaser for value shall divest the property of the lien. If the lien is perfected by recording, the rights of the state under the lien have priority over all subsequent mortgagees, purchasers or judgment creditors. The lien may be foreclosed by the director of revenue in the same manner as is now prescribed for the foreclosure of real estate mortgages and upon judgment, execution shall be issued to sell as much of the property necessary to satisfy the tax, interest and costs due.

[[81 Acts, ch 147, §17](#); [82 Acts, ch 1023, §28, 34](#)]

[2003 Acts, ch 145, §286](#)

450B.7 Other inheritance tax laws applicable.

All the provisions of [chapter 450](#) with respect to the payment, collection and administration of the inheritance tax imposed under that chapter, including the confidentiality of the tax return, are applicable to the provisions of [this chapter](#) to the extent consistent. The director of revenue shall adopt and promulgate all rules necessary for the enforcement and administration of [this chapter](#).

[81 Acts, ch 147, §18]

92 Acts, 2nd Ex, ch 1001, §247; 2003 Acts, ch 145, §286