



SF 2303 – Probate, Inheritance Tax (LSB5190SV)
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Fiscal Note Version – New

Description

Senate File 2303 changes the requirements for an inheritance tax deferral for certain estates. Specifically, the Bill creates an exception to the rule that a bond must be given to secure the payment of the tax if inheritance tax deferral is elected and the estate contains no real property. As an alternative to a bond, the Department of Revenue is allowed to accept other forms of security. Examples given in the Bill include a bank or securities account with an irrevocable pay on death or transfer on death provision naming the Department as beneficiary, or an escrow agreement with the Department under which a private attorney will act as the escrow agent and hold the escrow funds in the attorney's trust account.

The Bill is effective July 1, 2018, and the change applies to the estates of decedents that include a deferred estate or remainder estate, and that have not, on or before July 1, 2018, received approval from the Department of Revenue to defer payment of the inheritance tax.

Background

Spouses, as well as lineal ascendants and descendants (children, grandchildren, parents, grandparents, etc.) are exempt from the Iowa inheritance tax. Other persons and entities receiving an inheritance are subject to a tax of 5.0% to 15.0%, depending on the value of the inheritance and/or the relationship to the decedent.

Under current Iowa law, the inheritance tax due on an estate or a portion of an estate may be deferred. Tax deferral requires a lien on inherited real property or a bond. The Bill allows the tax due to be deferred using other forms of security acceptable by the Department of Revenue.

The Department reports that approximately six inheritance tax situations per year could be impacted by this change. The Department did not provide an estimate of the value of deferred inheritances or the amount of tax revenue potentially involved. At the top tax rate of 15.0%, additional deferred tax situations totaling \$335,000 would result in a revenue reduction of \$50,000.

Fiscal Impact

The Bill does not have an identified fiscal impact. The Bill does not directly change the amount of inheritance tax due. It does, however, have the potential of delaying the payment of inheritance tax so the revenue will be received in a later fiscal year. Any negative fiscal impact on one fiscal year would be offset by a positive fiscal impact on a future fiscal year.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

February 19, 2018

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
