

**House File 2436 - Introduced**

HOUSE FILE 2436

BY HALL

**A BILL FOR**

1 An Act exempting from the inheritance tax a certain amount of  
2 property passing to brothers, sisters, uncles, aunts, first  
3 cousins, nieces, and nephews and including applicability  
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 450.9, Code 2011, is amended to read as  
2 follows:

3 **450.9 Individual exemptions.**

4 1. In computing the tax on the net estate, the entire  
5 amount of property, interest in property, and income  
6 passing to the surviving spouse, and parents, grandparents,  
7 great-grandparents, and other lineal ascendants, children  
8 including legally adopted children and biological children  
9 entitled to inherit under the laws of this state, stepchildren,  
10 and grandchildren, great-grandchildren, and other lineal  
11 descendants are exempt from tax.

12 2. In computing the tax on the net estate, the first one  
13 million dollars in the aggregate of property, interest in  
14 property, and income passing to brothers, sisters, uncles,  
15 aunts, first cousins, nieces, and nephews, is exempt from tax.  
16 If the entire amount of property, interest in property, and  
17 income passing to all persons listed in this subsection exceeds  
18 one million dollars, the exemption shall be apportioned among  
19 the persons according to each person's proportionate share of  
20 the entire amount of property, interest in property, and income  
21 passing to all persons listed in this subsection.

22 Sec. 2. Section 450.10, subsection 1, unnumbered paragraph  
23 1, Code Supplement 2011, is amended to read as follows:

24 When the property or any interest in property, or income from  
25 property, taxable under the provisions of this chapter, passes  
26 to the brother or sister, in excess of the amounts exempted by  
27 operation of subsection 7, the son-in-law, or daughter-in-law,  
28 the rate of tax imposed on the individual share so passing  
29 shall be as follows:

30 Sec. 3. Section 450.10, subsection 2, unnumbered paragraph  
31 1, Code Supplement 2011, is amended to read as follows:

32 When the property or interest in property or income from  
33 property, taxable under this chapter, passes to a person not  
34 included in subsections 1 and 6, or to a person included in  
35 subsection 7, other than a brother or sister, in excess of the

1 amounts exempted by operation of that subsection, the rate of  
2 tax imposed on the individual share so passing shall be as  
3 follows:

4 Sec. 4. Section 450.10, subsection 5, Code Supplement 2011,  
5 is amended to read as follows:

6 5. When the property or any interest in property, or income  
7 from property, taxable under this chapter, passes to any person  
8 included under subsection 1, there shall be credited to the tax  
9 imposed on the individual share so passing an amount equal to  
10 the tax imposed in this state on the decedent on any property,  
11 real, personal or mixed, or the proportionate share thereof on  
12 property passing to the person taxed hereunder, which can be  
13 identified as having been received by the decedent as a share  
14 in the estate of any person who died within two years prior  
15 to the death of the decedent, or which can be identified as  
16 having been acquired by the decedent in exchange for property  
17 so received. The credit shall not be applicable to taxes on  
18 property of the decedent which was not acquired from the prior  
19 estate, or taxes on property of the decedent otherwise exempt  
20 from taxation under subsection 7.

21 Sec. 5. Section 450.10, Code Supplement 2011, is amended by  
22 adding the following new subsection:

23 NEW SUBSECTION. 7. The first one million dollars in the  
24 aggregate of property, interest in property, or income passing  
25 to brothers, sisters, uncles, aunts, first cousins, nieces,  
26 and nephews, is not taxable under this section. If the entire  
27 amount of property, interest in property, and income passing  
28 to all persons listed in this subsection exceeds one million  
29 dollars, the exemption shall be apportioned among the persons  
30 according to each person's proportionate share of the entire  
31 amount of property, interest in property, and income passing to  
32 all persons listed in this subsection.

33 Sec. 6. APPLICABILITY. This Act applies to estates of  
34 decedents dying on or after July 1, 2012.

35

EXPLANATION

H.F. 2436

1 This bill exempts the first \$1 million in the aggregate of  
2 property passing to brothers, sisters, uncles, aunts, first  
3 cousins, nieces, and nephews, from the inheritance tax. If the  
4 total property passing to these persons exceeds \$1 million, the  
5 exemption is apportioned among the persons according to their  
6 proportionate share of the property.

7 The bill also provides that the credit for prior inheritance  
8 tax paid by the decedent on property passing to a brother,  
9 sister, son-in-law, or daughter-in-law, shall not be applicable  
10 to the amounts passing to a brother or sister that are  
11 otherwise exempted from tax in the bill.

12 The bill applies to estates of decedents dying on or after  
13 July 1, 2012.