

Introduction to Indiana Inheritance Tax

In general, estates or beneficiaries of Indiana residents are required to file an inheritance tax return (Form IH-6) and pay inheritance tax if the value of transfers to any beneficiary is greater than the exemption allowed for that beneficiary.

All property transferred should be valued at the fair market value on the date of decedent's death except when the alternative valuation is elected, used and accepted for federal estate tax purposes; then the alternative valuation should also be used for inheritance tax. The fair market value is the price which a willing buyer and a willing seller agree to, neither being under compulsion to buy or sell, and both being fully aware of all relevant facts surrounding the exchange.

Exemptions are figured based on the relationship between the deceased individual and the beneficiary. These exemptions are as follows:

- A surviving spouse and charitable organizations are 100% exempt from inheritance tax.
- Parents, children, stepchildren, grandparents, grandchildren and other lineal ancestors and lineal descendants are eligible for an exemption of \$100,000 each (class A).
- Brothers, sisters, lineal descendants of brothers or sisters, daughters-in-law and sons-in-law are eligible for an exemption of \$500 each (class B).
- Anyone not listed above, including aunts, uncles, cousins, friends, nieces and nephews by marriage and corporations are eligible for an exemption of \$100 each (class C).

(See rates in table below)

Example 1: There will be no inheritance tax filing requirement in the event one spouse inherits the entire estate of their deceased spouse.

Example 2: John left his entire estate equally to his two children, who are eligible for an exemption of \$100,000 each. An inheritance tax return will be required if his estate is valued at more than \$200,000.

In general, estates or beneficiaries of deceased Indiana nonresidents are required to file an inheritance tax return with Indiana if the value of the transfers to any beneficiary of

- Indiana real property and/or
- tangible personal property located in Indiana

is greater than the exemption allowed for that beneficiary.

Indiana Inheritance Tax Rates

Class A

NET TAXABLE VALUE OF PROPERTY

INTERESTS TRANSFERRED*	INHERITANCE TAX
\$25,000 or less.....	1% of net taxable value
over \$25,000 but not over \$50,000.....	\$250, plus 2% of net taxable value over \$25,000
over \$50,000 but not over \$200,000.....	\$750, plus 3% of net taxable value over \$50,000
over \$200,000 but not over \$300,000.....	\$5,250, plus 4% of net taxable value over \$200,000
over \$300,00 but not over \$500,000	\$9,250, plus 5% of net taxable value over \$300,000
over \$500,000 but not over \$700,00.....	\$19,250, plus 6% of net taxable value over \$500,000
over \$700,000 but not over \$1,000,000	\$31,250, plus 7% of net taxable value over \$700,000
over \$1,000,000 but not over \$1,500,000.....	\$52,250, plus 8% of net taxable value over \$1,000,000
over \$1,500,000	\$92,250, plus 10% of net taxable value over \$1,500,000

Class B

NET TAXABLE VALUE OF PROPERTY

INTERESTS TRANSFERRED *	INHERITANCE TAX
\$100,000 or less	7% of net taxable value
over \$100,000 but not over \$500,000	\$7,000, plus 10% of net taxable value over \$100,000
over \$500,000 but not over \$1,000,000	\$47,000, plus 12% of net taxable value over \$500,000
over \$1,000,000	\$107,000, plus 15% of net taxable value over \$1,000,000

Class C

NET TAXABLE VALUE OF PROPERTY

INTEREST TRANSFERRED*	INHERITANCE TAX
\$100,000 or less	10% of net taxable value
over \$100,000 but not over \$1,000,000.....	\$10,000, plus 15% of the net taxable value over \$100,000
over \$1,000,000	\$145,000, plus 20% of net taxable value over \$1,000,000

* net taxable value = total value of interest minus any applicable exemption