



**House
Legislative
Analysis
Section**

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REVISE STATE DEATH TAXES

RECEIVED

JUL 28 1989

Ans'd.....

House Bill 4025

Sponsor: Rep. William R. Bryant, Jr.

Committee: Taxation

Complete to 2-8-89

A SUMMARY OF HOUSE BILL 4025 AS INTRODUCED 2-1-89

The bill would eliminate much of the state's inheritance tax act and would instead provide that the tax due on the estate of a decedent be equal to the maximum tax credit allowed for state death taxes against federal estate taxes. (This is sometimes called a "pickup tax" because it allows a state to pick up the full amount of state death taxes people are able to subtract from federal estate tax liability. Currently, Michigan uses the "pickup tax" as a supplement to state inheritance taxes; that is, if the federal credit available exceeds the tax liability under state law.) The bill would apply to estates of those dying after December 31, 1990.

For estates subject to the state tax (i.e. those subject to federal estate taxes), the personal representative or administrator of the estate would be required to file with the probate court a copy of the federal estate tax return. The probate judge would then issue an order of determination of inheritance taxes and send copies to the treasury department and county treasurer. The tax would be due at the time required for filing the federal estate tax return. The penalty for failing or refusing to pay the tax would be three-quarters of one percent interest per month or any fraction of a month. (The bill would strike an additional current penalty of 5 percent per month up to 25 percent.)

The calculation of inheritance tax at present is based on the amount a beneficiary receives and the relationship between beneficiary and decedent. There are full or partial exemptions for spouses and close relatives, and graduated rates of two to ten percent for direct heirs and of 12 to 17 percent for collateral heirs. Transfers of money to religious, educational, and charitable organizations can be exempt. The provisions detailing these calculations would be repealed by the bill. The bill would also repeal the 50 percent exemption for qualified farm property transferred to qualified heirs; the ten-year deferral of the balance due on farm property; and the ten-year deferral for professional artists.

MCL 205.201 et al.

House Bill 4025 (2-8-89)