

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1394 Session of 2025

INTRODUCED BY GAYDOS, ROAE, KRUPA, M. BROWN, SMITH, KAUFFMAN, MARCELL, BANTA, PUGH, STAATS, PICKETT, HAMM, GUENST, OLSOMMER, M. MACKENZIE, KOZAK, STENDER, RIVERA, BARGER, ZIMMERMAN, ROWE, FINK, EMRICK, GILLEN AND HEFFLEY, MAY 5, 2025

REFERRED TO COMMITTEE ON FINANCE, MAY 5, 2025

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," repealing provisions relating to inheritance tax;  
11 in procedure and administration, further providing for  
12 petition for reassessment; and, in governmental obligations,  
13 further providing for taxability of government obligations.

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. Article XXI of the act of March 4, 1971 (P.L.6,  
17 No.2), known as the Tax Reform Code of 1971, is repealed:

[ARTICLE XXI

INHERITANCE TAX

PART I

PRELIMINARY PROVISIONS

22 Section 2101. Short Title.--This article shall be known and

1 may be cited as the "Inheritance and Estate Tax Act."

2 Section 2102. Definitions.--The following words, terms and  
3 phrases, when used in this article, shall have the meanings  
4 ascribed to them in this section, except where the context  
5 clearly indicates a different meaning:

6 "Adverse interest." A substantial beneficial interest in the  
7 property transferred which might be adversely affected by the  
8 exercise or nonexercise of the power or right reserved or  
9 possessed by the transferor.

10 "Business of agriculture." The term shall include the  
11 leasing to members of the same family or the leasing to a  
12 corporation or association owned by members of the same family  
13 of property which is directly and principally used for  
14 agricultural purposes. The business of agriculture shall not be  
15 deemed to include:

16 (1) recreational activities such as, but not limited to,  
17 hunting, fishing, camping, skiing, show competition or racing;

18 (2) the raising, breeding or training of game animals or  
19 game birds, fish, cats, dogs or pets or animals intended for use  
20 in sporting or recreational activities;

21 (3) fur farming;

22 (4) stockyard and slaughterhouse operations; or

23 (5) manufacturing or processing operations of any kind.

24 "Children." Includes natural children whether or not they  
25 have been adopted by others, adopted children and stepchildren.

26 "Clerk." The clerk of the orphans' court division of the  
27 court of common pleas having jurisdiction.

28 "Court." The orphans' court division of the court of common  
29 pleas of:

30 (1) The county in which the decedent resided at the time of

1 his death.

2 (2) The county in which letters, if any, are granted if the  
3 decedent was a nonresident of this Commonwealth.

4 (3) Dauphin County in all other cases.

5 "Date of death." The date of actual death or, in the case of  
6 a presumed decedent, the date found by the final decree to be  
7 the date of the absentee's presumed death. For the purpose of  
8 determining interest and discount, "date of death" means the  
9 date upon which the court enters its final decree of presumptive  
10 death.

11 "Death taxes." Includes inheritance, succession, transfer  
12 and estate taxes and any other taxes levied against the estate  
13 of a decedent by reason of his death.

14 "Decedent" or "transferor." Any person by or from whom a  
15 transfer is made and includes any testator, intestate, grantor,  
16 settlor, bargainor, vendor, assignor, donor, joint tenant and  
17 insured.

18 "Department." The Department of Revenue of the Commonwealth.

19 "Exemption income." All moneys or property, including,  
20 without limitation, interest, gains or income derived from  
21 obligations which are statutorily free from State or local  
22 taxation under any other Federal or State laws, received of  
23 whatever nature and from whatever source derived.

24 "Financial institution." A bank, a national banking  
25 association, a bank and trust company, a trust company, a  
26 savings and loan association, a building and loan association, a  
27 mutual savings bank, a credit union, a savings bank and a  
28 company that rents safe deposit boxes.

29 "Future interest." Includes a successive life interest and a  
30 successive interest for a term certain.

1 "Lineal descendants." All children of the natural parents  
2 and their descendants, whether or not they have been adopted by  
3 others, adopted descendants and their descendants and  
4 stepdescendants.

5 "Members of the same family." Any individual, such  
6 individual's brothers and sisters, the brothers and sisters of  
7 such individual's parents and grandparents, the ancestors and  
8 lineal descendants of any of the foregoing, a spouse of any of  
9 the foregoing and the estate of any of the foregoing.

10 Individuals related by the half blood or legal adoption shall be  
11 treated as if they were related by the whole blood. For a  
12 transfer made by a surviving spouse, the term shall include any  
13 individual considered to be a member of the same family of the  
14 decedent spouse.

15 "Notice." Written notice.

16 "Presumed decedent." A person found to be presumptively dead  
17 under the provisions of 20 Pa.C.S. Ch. 57 (relating to absentees  
18 and presumed decedents) or, if a nonresident of this  
19 Commonwealth, under the laws of his domicile.

20 "Property" or "estate." Includes the following:

21 (1) All real property and all tangible personal property of  
22 a resident decedent or transferor having its situs in this  
23 Commonwealth.

24 (2) All intangible personal property of a resident decedent  
25 or transferor.

26 (3) All real property and all tangible personal property of  
27 a resident decedent having its situs outside this Commonwealth,  
28 which the decedent had contracted to sell, provided the  
29 jurisdiction in which the property has its situs does not  
30 subject it to death tax.

1 (4) All real property and all tangible personal property of  
2 a nonresident decedent or transferor having its situs in this  
3 Commonwealth, including property held in trust.

4 (5) A liquor license issued by the Commonwealth.

5 "Register." The register of wills having jurisdiction to  
6 grant letters testamentary or of administration in the estate of  
7 the decedent or transferor.

8 "Safe deposit box of a decedent." A safe deposit box in a  
9 financial institution located within this Commonwealth in the  
10 name of the decedent alone or in the names of the decedent and  
11 one or more persons other than the spouse of the decedent.

12 "Secretary." The Secretary of Revenue of the Commonwealth.

13 "Sibling." An individual who has at least one parent in  
14 common with the decedent, whether by blood or by adoption.

15 "Territory." Includes the District of Columbia and all  
16 possessions of the United States.

17 "Transfer." Includes the passage of ownership of property,  
18 or interest in property or income from property, in possession  
19 or enjoyment, present or future, in trust or otherwise.

20 "Transferee." Any person to whom a transfer is made and  
21 includes any legatee, devisee, heir, next of kin, grantee,  
22 beneficiary, vendee, assignee, donee, surviving joint tenant and  
23 insurance beneficiary.

24 "Transfer of property for the sole use." A transfer to or  
25 for the use of a transferee if, during the transferee's  
26 lifetime, the transferee is entitled to all income and principal  
27 distributions from the property and no person, including the  
28 transferee, possesses an inter vivos power of appointment over  
29 the property.

30 "Value." The price at which the property would be sold by a

1 willing seller, not compelled to sell, to a willing buyer, not  
2 compelled to buy, both of whom have reasonable knowledge of the  
3 relevant facts. In determining the value of property, no  
4 reduction shall be made on account of income, excise or other  
5 taxes which may become payable subsequent to the valuation date  
6 by the transferee or out of the property. Value as to land in  
7 agricultural use, agricultural reserve or forest reserve means  
8 the value which the land has for its particular use according to  
9 the standards provided in section 2122.

10 Section 2103. Powers of Department.--(a) The department may  
11 adopt and enforce rules and regulations for the just  
12 administration of this article.

13 (b) The department shall have complete supervision of the  
14 making of appraisements, the allowance of deductions and the  
15 assessment of tax, including, but not limited to, the power to  
16 regulate the actions of registers in the allowance and  
17 disallowance of deductions and assessment of tax. The  
18 department's supervision of the making of appraisements includes  
19 the employment and compensation of investigators, appraisers and  
20 expert appraisers. The compensation of investigators, appraisers  
21 and expert appraisers shall be paid from the inheritance tax  
22 collections in the respective counties.

23 (c) The department shall, in the event that the register  
24 fails to take the necessary proceedings in connection with the  
25 appraisal, allowance of deductions, assessment of tax or  
26 collection of tax, have all the powers vested in the register in  
27 this article and, at its option, may take the necessary action  
28 and shall charge to the register and deduct from any commissions  
29 or fees otherwise due him all costs and expenses incurred by the  
30 department in connection with the proceedings.

PART II

TRANSFERS SUBJECT TO TAX

Section 2106. Imposition of Tax.--An inheritance tax for the use of the Commonwealth is imposed upon every transfer subject to tax under this article at the rates specified in section 2116.

Section 2107. Transfers Subject to Tax.--(a) The transfers enumerated in this section are subject to the tax imposed by section 2106.

(b) All transfers of property by will, by the intestate laws of this Commonwealth or, in the case of a transfer from a nonresident, by the laws of succession of another jurisdiction are subject to tax. The transfer of property of a person determined by decree of a court of competent jurisdiction to be a presumed decedent is subject to tax within the meaning of this section and section 2108.

(c) (1) All transfers of property specified in subclauses (3) through (7) which are made by a resident or a nonresident during his lifetime are subject to tax to the extent that they are made without valuable and adequate consideration in money or money's worth at the time of transfer.

(2) When the decedent retained or reserved an interest or power with respect to only a part of the property transferred, in consequence of which a tax is imposed under subclauses (4) through (7), the amount of the taxable transfer is only the value of that portion of the property transferred which is subject to the retained or reserved interest or power.

(3) A transfer conforming to subclause (1) and made within one year of the death of the transferor is subject to tax only to the extent that the value at the time of the transfer or

1 transfers in the aggregate to or for the benefit of the  
2 transferee exceeds three thousand dollars (\$3,000) during any  
3 calendar year.

4 (4) A transfer conforming to subclause (1) which takes  
5 effect in possession or enjoyment at or after the death of the  
6 transferor and under which the transferor has retained a  
7 reversionary interest in the property, the value of which  
8 interest immediately before the death of the transferor exceeds  
9 five per cent of the value of the property transferred, is  
10 subject to tax. The term "reversionary interest" includes a  
11 possibility that property transferred may return to the  
12 transferor or his estate or may be subject to a power of  
13 disposition by him, but the term does not include a possibility  
14 that the income alone from the property may return to him or  
15 become subject to a power of disposition by him.

16 (5) A transfer conforming to subclause (1), and under which  
17 the transferor expressly or impliedly reserves for his life or  
18 any period which does not in fact end before his death, the  
19 possession or enjoyment of, or the right to the income from, the  
20 property transferred, or the right, either alone or in  
21 conjunction with any person not having an adverse interest, to  
22 designate the persons who shall possess or enjoy the property  
23 transferred or the income from the property, is subject to tax.

24 (6) A transfer conforming to subclause (1), and under which  
25 the transferee promises to make payments to, or for the benefit  
26 of, the transferor or to care for the transferor during the  
27 remainder of the transferor's life, is subject to tax.

28 (7) A transfer conforming to subclause (1), and under which  
29 the transferor has at his death, either in himself alone or in  
30 conjunction with any person not having an adverse interest, a



1 power to alter, amend or revoke the interest of the beneficiary,  
2 is subject to tax. Similarly, the relinquishment of such a power  
3 within one year of the death of the transferor is a transfer  
4 subject to tax except as otherwise provided in subclause (3).

5 (d) All succeeding interests which follow the interest of a  
6 surviving spouse in a trust or similar arrangement, to the  
7 extent specified in section 2113, are transfers subject to tax  
8 as if the surviving spouse were the transferor.

9 Section 2108. Joint Tenancy.--(a) When any property is held  
10 in the names of two or more persons or is deposited in a  
11 financial institution in the names of two or more persons so  
12 that, upon the death of one of them, the survivor or survivors  
13 have a right to the immediate ownership or possession and  
14 enjoyment of the whole property, the accrual of such right, upon  
15 the death of one of them, shall be deemed a transfer subject to  
16 tax of a fractional portion of such property to be determined by  
17 dividing the value of the whole property by the number of joint  
18 tenants in existence immediately preceding the death of the  
19 deceased joint tenant.

20 (b) Except as provided in subsection (c), this section shall  
21 not apply to property or interests in property passing by right  
22 of survivorship to the survivor of husband and wife.

23 (c) If the co-ownership was created within one year prior to  
24 the death of the co-tenant, the entire interest transferred  
25 shall be subject to tax only under, and to the extent stated in,  
26 subsection (c) (3) of section 2107 as though a part of the estate  
27 of the person who created the co-ownership.

### 28 PART III

### 29 TRANSFERS NOT SUBJECT TO TAX

30 Section 2111. Transfers Not Subject to Tax.--(a) The

transfers enumerated in this section are not subject to the tax imposed by this article.

(b) Transfers of property to or for the use of any of the following are exempt from inheritance tax:

(1) The United States of America.

(2) The Commonwealth of Pennsylvania.

(3) A political subdivision of the Commonwealth of Pennsylvania.

(c) Transfers of property to or for the use of any of the following are exempt from inheritance tax:

(1) Any corporation, unincorporated association or society organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation.

(2) Any trustee or trustees or any fraternal society, order or association operating under the lodge system, but only if the property transferred is to be used by the trustee or trustees or by the fraternal society, order or association exclusively for religious, charitable, scientific, literary or educational purposes or for the prevention of cruelty to children or animals, and no substantial part of the activities of the trustee or trustees or of the fraternal society, order or association is carrying on propaganda or otherwise attempting to influence legislation.

(3) Any veterans' organization incorporated by act of Congress or its departments or local chapters or posts, no part

1 of the net earnings of which inures to the benefit of any  
2 private shareholder or individual.

3 (d) All proceeds of insurance on the life of the decedent  
4 are exempt from inheritance tax. Refunds of unearned premiums  
5 for the current policy period and post mortem dividends shall be  
6 considered exempt proceeds.

7 (e) All proceeds of any Federal War Risk Insurance, National  
8 Service Life Insurance or similar governmental insurance are  
9 exempt from inheritance tax. Refunds of unearned premiums for  
10 the current policy period and post mortem dividends shall be  
11 considered exempt proceeds.

12 (f) The pay and allowances determined by the United States  
13 to be due a member of its armed forces for service in the  
14 Vietnam conflict after August 5, 1964, for the period between  
15 the date declared by it as the beginning of his missing-in-  
16 action status to the date determined by it to be the date of his  
17 death, are exempt from inheritance tax.

18 (g) Inter vivos transfers as defined in subsection (c) of  
19 section 2107 which might otherwise be subject to inheritance tax  
20 are exempt where the transferee is a governmental body as  
21 provided in subsection (b) or a charity as provided in  
22 subsection (c).

23 (h) Intangible personal property held by, for or for the  
24 benefit of a decedent who, at the time of his death, was a  
25 nonresident is exempt from inheritance tax.

26 (i) A transfer made as an advancement of or on account of an  
27 intestate share or in satisfaction or partial satisfaction of a  
28 gift by will, but not within the meaning of subsection (c)(3) of  
29 section 2107, is exempt from inheritance tax.

30 (j) Adjusted service certificates issued under the act of

1 Congress of May 19, 1924, and adjusted service bonds issued  
2 under the act of Congress of January 27, 1936, are exempt from  
3 inheritance tax.

4 (k) Property subject to a power of appointment, whether or  
5 not the power is exercised, and notwithstanding any blending of  
6 such property with the property of the donee, is exempt from  
7 inheritance tax in the estate of the donee of the power of  
8 appointment.

9 (l) Property awarded to the Commonwealth as statutory heir  
10 by escheat or without escheat, otherwise than as custodian for a  
11 known distributee, is exempt from inheritance tax. Inheritance  
12 tax shall be deducted at the applicable rate without interest  
13 from any such exempt funds thereafter distributed by the  
14 Commonwealth.

15 (m) Property owned by husband and wife with right of  
16 survivorship is exempt from inheritance tax. If the ownership  
17 was created within the meaning of section 2107(c)(3), the entire  
18 interest transferred shall be subject to tax under section  
19 2107(c)(3) as though a part of the estate of the spouse who  
20 created the co-ownership.

21 (n) Property held in the name of a decedent who had no  
22 beneficial interest in the property is exempt from inheritance  
23 tax.

24 (o) Obligations owing to the decedent which are worthless  
25 immediately before death are exempt from inheritance tax  
26 although collectible from the obligor's distributive share of  
27 the estate.

28 (p) The lump-sum death payment from the Social Security  
29 Administration or Veterans' Administration or any county  
30 veterans' death benefit or other similar death benefit, whether

1 or not paid to the decedent's estate, is exempt from inheritance  
2 tax.

3 (q) The lump-sum burial benefit from the United States  
4 Railroad Retirement Board, whether or not paid to the decedent's  
5 estate, is exempt from inheritance tax.

6 (r) Payments under pension, stock bonus, profit-sharing and  
7 other retirement plans, including H.R.10 plans, individual  
8 retirement accounts, individual retirement annuities and  
9 individual retirement bonds to distributees designated by the  
10 decedent or designated in accordance with the terms of the plan,  
11 are exempt from inheritance tax to the extent that the decedent  
12 before his death did not otherwise have the right to possess  
13 (including proprietary rights at termination of employment),  
14 enjoy, assign or anticipate the payment made. In addition to  
15 this exemption, whether or not the decedent possessed any of  
16 these rights, the payments are exempt from inheritance tax to  
17 the same extent that they are exempt from Federal estate tax  
18 under the provisions of the Internal Revenue Code of 1986  
19 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as amended, any  
20 supplement to the code or any similar provision in effect from  
21 time to time for Federal estate tax purposes, except that a  
22 payment which would otherwise be exempt for Federal estate tax  
23 purposes if it had not been made in a lump-sum or other  
24 nonexempt form of payment shall be exempt from inheritance tax  
25 even though paid in a lump-sum or other form of payment. The  
26 proceeds of life insurance otherwise exempt under subsection (d)  
27 shall not be subject to inheritance tax because they are paid  
28 under a pension, stock bonus, profit-sharing, H.R.10 or other  
29 retirement plan.

30 (s) A transfer of real estate devoted to the business of

1 agriculture to or for the benefit of members of the same family,  
2 provided that after the transfer the real estate continues to be  
3 devoted to the business of agriculture for a period of seven  
4 years beyond the transferor's date of death, the real estate  
5 derives a yearly gross income of at least two thousand dollars  
6 (\$2,000) and the real estate is reported on a timely filed  
7 inheritance tax return, provided that:

8 (1) Any tract of land under this article which is no longer  
9 devoted to the business of agriculture within seven years beyond  
10 the transferor's date of death or does not derive a yearly gross  
11 income of at least two thousand dollars (\$2,000) shall be  
12 subject to inheritance tax due the Commonwealth under section  
13 2107, in the amount that would have been paid or payable on the  
14 basis of valuation authorized under section 2121 for nonexempt  
15 transfers of property, plus interest thereon accruing as of the  
16 transferor's date of death, at the rate established in section  
17 2143.

18 (2) Any tax imposed under section 2107 shall be a lien in  
19 favor of the Commonwealth upon the property no longer being  
20 devoted to the business of agriculture or which does not derive  
21 a yearly gross income of at least two thousand dollars (\$2,000),  
22 as well as the personal obligation of the owner of the property  
23 at the time of the event causing the property to fail to qualify  
24 for exemption and all beneficiaries of any trust that is an  
25 owner of the property. Liability for the tax shall be joint and  
26 several.

27 (3) Every owner of real estate exempt under this subsection  
28 shall certify to the department on an annual basis that the land  
29 qualifies for this exemption and shall notify the department  
30 within thirty days of any transaction or occurrence causing the

1 real estate to fail to qualify for the exemption. Each year the  
2 department shall inform all owners of their obligation to  
3 provide an annual certification under this subclause. This  
4 certification and notification shall be completed in the form  
5 and manner as provided by the department.

6 (s.1) A transfer of an agricultural commodity, agricultural  
7 conservation easement, agricultural reserve, agricultural use  
8 property or a forest reserve, as those terms are defined in  
9 section 2122(a), to or for the benefit of lineal descendants or  
10 siblings is exempt from inheritance tax, provided the foregoing  
11 property is reported on a timely filed inheritance tax return.

12 (t) A qualified family-owned business. The following shall  
13 apply:

14 (1) A transfer of a qualified family-owned business interest  
15 to or for the benefit of members of the same family is exempt  
16 from inheritance tax if the qualified family-owned business  
17 interest:

18 (i) continues to be owned by members of the same family or a  
19 trust whose beneficiaries are comprised solely of members of the  
20 same family for a minimum of seven years after the decedent's  
21 date of death; and

22 (ii) is reported on a timely filed inheritance tax return.

23 (2) A qualified family-owned business interest that was  
24 exempted from inheritance tax under this subsection that is no  
25 longer owned by members of the same family or a trust whose  
26 beneficiaries are comprised solely of members of the same family  
27 at any time within seven years after the decedent's date of  
28 death shall be subject to inheritance tax due the Commonwealth  
29 under section 2107, in an amount equal to the inheritance tax  
30 that would have been paid or payable on the value of the

1 qualified family-owned business interest using the valuation  
2 authorized under section 2121 for nonexempt transfers of  
3 property. Interest shall accrue from the payment date  
4 established under section 2142 at the rate established under  
5 section 2143.

6 (2.1) The exemption under this subsection shall not apply to  
7 property transferred by the decedent into the qualified family-  
8 owned business within one year of the death of the decedent  
9 unless the property was transferred for a legitimate business  
10 purpose.

11 (3) Inheritance tax due under section 2107 as a result of  
12 disqualification under paragraphs (2) or (4), plus interest on  
13 the inheritance tax, shall be a lien in favor of the  
14 Commonwealth on the real and personal property of the owner of  
15 the qualified family-owned business interest at the time of the  
16 transaction or occurrence that disqualified the qualified  
17 family-owned business interest from the exemption provided under  
18 this subsection. The inheritance tax due and interest shall be  
19 the personal obligation of the owner of the qualified family-  
20 owned business interest at the time of the transaction or  
21 occurrence that disqualified the qualified family-owned business  
22 interest from the exemption provided under this subsection and  
23 all beneficiaries of any trust that is an owner of the qualified  
24 family-owned business interest. Liability for the tax shall be  
25 joint and several. The lien shall remain until the inheritance  
26 tax and accrued interest are paid in full.

27 (4) Each owner of a qualified family-owned business interest  
28 exempted from inheritance tax under this subsection shall  
29 certify to the department, on an annual basis, for seven years  
30 after the decedent's date of death, that the qualified family-



1 owned business interest continues to be owned by members of the  
2 same family or a trust whose beneficiaries are comprised solely  
3 of members of the same family and shall notify the department  
4 within thirty days of any transaction or occurrence causing the  
5 qualified family-owned business interest to fail to qualify for  
6 the exemption. Each year, the department shall inform all owners  
7 of a qualified family-owned business interest exempted from  
8 inheritance tax under this subsection of their obligation to  
9 provide an annual certification under this paragraph. The  
10 certification and notification shall be completed in the form  
11 and manner as provided by the department. An owner's failure to  
12 comply with the certification or notification requirements shall  
13 result in the loss of the exemption, and the qualified family-  
14 owned business interest shall be subject to inheritance tax due  
15 the Commonwealth under section 2107, in an amount equal to the  
16 inheritance tax that would have been paid or payable on the  
17 value of the qualified family-owned business interest using the  
18 valuation authorized under section 2121 for nonexempt transfers  
19 of property. Interest shall accrue from the payment date  
20 established in section 2142 at the rate established in section  
21 2143.

22 (5) For purposes of this subsection, the term "qualified  
23 family-owned business interest" shall be as follows:

24 (i) an interest as a proprietor in a trade or business  
25 carried on as a proprietorship, if the proprietorship has fewer  
26 than fifty full-time equivalent employees as of the date of the  
27 decedent's death, the proprietorship has a net book value of  
28 assets totaling less than five million dollars (\$5,000,000) as  
29 of the date of the decedent's death and has been in existence  
30 for five years prior to the date of the decedent's death; or

(ii) an interest in an entity carrying on a trade or business, if:

(A) the entity has fewer than fifty full-time equivalent employees as of the date of the decedent's death;

(B) the entity has a net book value of assets totaling less than five million dollars (\$5,000,000) as of the date of the decedent's death;

(C) as of the date of the decedent's death, the entity is wholly owned by the decedent, by the decedent and members of the same family, by a trust whose beneficiaries are comprised solely of members of the same family or by an entity that is owned solely by members of the same family;

(D) the entity is engaged in a trade or business the principal purpose of which is not the management of investments or income-producing assets owned by the entity; and

(E) the entity has been in existence for five years prior to the decedent's date of death.

(u) The transfer of personal property, whether tangible or intangible, that is the result of a decedent military member.

(1) For purposes of this subsection, the term "decedent military member" shall mean an individual who, while serving in the armed forces, a reserve component or the National Guard of the United States, died as a result of injury or illness received while on active duty, including active duty for training.

(2) The term shall include both Federal and State active duty as evidenced by official activation order.

#### Section 2113. Trusts and Similar Arrangements for Spouses.--

(a) In the case of a transfer of property for the sole use of the transferor's surviving spouse during the surviving spouse's

1 entire lifetime, all succeeding interests which follow the  
2 interest of the surviving spouse shall not be subject to tax as  
3 transfers by the transferor if the transfer was made by a  
4 decedent dying on or after January 1, 1995, provided that the  
5 transferor's personal representative may elect, on a timely  
6 filed inheritance tax return, to have this section not apply to  
7 a trust or similar arrangement or portion of a trust or similar  
8 arrangement.

9 (b) Succeeding interests not subject to tax as transfers by  
10 the transferor by reason of subsection (a) shall be deemed to be  
11 transfers subject to tax by the surviving spouse of the property  
12 held in the trust or similar arrangement at the death of the  
13 surviving spouse. The tax on that property shall be based upon  
14 its value at the death of the surviving spouse, the tax rates  
15 applicable to dispositions by the surviving spouse or by the  
16 transferor, whichever are lower, and any exemptions relating to  
17 the kind or location of property held in the trust or similar  
18 arrangement at the surviving spouse's death.

19 (c) Subsection (b) shall apply even if the succeeding  
20 interests not subject to tax as transfers by the transferor by  
21 reason of subsection (a) were also not subject to tax by reason  
22 of an exemption based upon the kind or location of property at  
23 the transferor's death.

24 (d) This section shall not apply to inter vivos transfers  
25 otherwise exempt from inheritance tax.

#### 26 PART IV

#### 27 RATE OF TAX

28 Section 2116. Inheritance Tax.--(a) (1) Inheritance tax  
29 upon the transfer of property passing to or for the use of any  
30 of the following shall be at the rate of four and one-half per

cent:

(i) grandfather, grandmother, father, mother, except transfers under subclause (1.2), and lineal descendants; or

(ii) wife or widow and husband or widower of a child.

(1.1) Inheritance tax upon the transfer of property passing to or for the use of a husband or wife shall be:

(i) At the rate of three per cent for estates of decedents dying on or after July 1, 1994, and before January 1, 1995.

(ii) At a rate of zero per cent for estates of decedents dying on or after January 1, 1995.

(1.2) Inheritance tax upon the transfer of property from a child twenty-one years of age or younger to or for the use of a natural parent, an adoptive parent or a stepparent of the child shall be at the rate of zero per cent.

(1.3) Inheritance tax upon the transfer of property passing to or for the use of a sibling shall be at the rate of twelve per cent.

(1.4) Inheritance tax upon the transfer of property to or for the use of a child twenty-one years of age or younger from a natural parent, an adoptive parent or a stepparent of the child shall be at the rate of zero per cent.

(2) Inheritance tax upon the transfer of property passing to or for the use of all persons other than those designated in subclause (1), (1.1), (1.2), (1.3) or (1.4) or exempt under section 2111(m) shall be at the rate of fifteen per cent.

(3) When property passes to or for the use of a husband and wife with right of survivorship, one of whom is taxable at a rate lower than the other, the lower rate of tax shall be applied to the entire interest.

(b) (1) When the decedent was a resident, the tax shall be

1 computed upon the value of the property, in excess of the  
2 deductions specified in Part VI, at the rates in effect at the  
3 transferor's death.

4 (2) When the decedent was a nonresident, the tax shall be  
5 computed upon the value of real property and tangible personal  
6 property having its situs in this Commonwealth, in excess of  
7 unpaid property taxes assessed on the property and any  
8 indebtedness for which it is liened, mortgaged or pledged, at  
9 the rates in effect at the transferor's death. The person liable  
10 to make the return under section 2136 may elect to have the tax  
11 computed as if the decedent was a resident and his entire estate  
12 was property having its situs in this Commonwealth, and the tax  
13 due shall be the amount which bears the same ratio to the tax  
14 thus computed as the real property and tangible personal  
15 property located in this Commonwealth bears to the entire estate  
16 of the decedent.

17 (b.1) The inheritance tax due upon the transfer of property  
18 passing to or for the use of a husband or wife shall be the  
19 lesser of the tax imposed under subsection (a)(1.1) or the tax  
20 due after the allowance of the credit provided for under section  
21 2112.

22 (c) When any person entitled to a distributive share of an  
23 estate, whether under an inter vivos trust, a will or the  
24 intestate law, renounces his right to receive the distributive  
25 share receiving therefor no consideration, or exercises his  
26 elective rights under 20 Pa.C.S. Ch. 22 (relating to elective  
27 share of surviving spouse) receiving therefor no consideration  
28 other than the interest in assets passing to him as the electing  
29 spouse, the tax shall be computed as though the persons who  
30 benefit by such renunciation or election were originally

1 designated to be the distributees, conditioned upon an  
2 adjudication or decree of distribution expressly confirming  
3 distribution to such distributees. The renunciation shall be  
4 made within nine months after the death of the decedent. In the  
5 case of a surviving spouse taking his elective share of an  
6 estate, the renunciation shall be made within the time for  
7 election and any extension thereof under 20 Pa.C.S. § 2210(b)  
8 (relating to procedure for election; time limit). Notice of the  
9 filing of the account and of its call for audit or confirmation  
10 shall include notice of the renunciation or election to the  
11 department. When an unconditional vesting of a future interest  
12 does not occur at the decedent's death, the renunciation  
13 specified in this subsection of the future interest may be made  
14 within three months after the occurrence of the event or  
15 contingency which resolves the vesting of the interest in  
16 possession and enjoyment.

17 (d) In case of a compromise of a dispute regarding rights  
18 and interests of transferees, made in good faith, the tax shall  
19 be computed as though the persons so receiving distribution were  
20 originally entitled to it as transferees of the property  
21 received in the compromise, conditioned upon an adjudication or  
22 decree of distribution expressly confirming distribution to such  
23 distributees. Notice of the filing of the account and of its  
24 call for audit or confirmation shall include notice to the  
25 department.

26 (e) If the rate of tax which will be applicable when an  
27 interest vests in possession and enjoyment cannot be established  
28 with certainty, the department, after consideration of relevant  
29 actuarial factors, valuations and other pertinent circumstances,  
30 may enter into an agreement with the person responsible for

1 payment to establish a specified amount of tax which, when paid  
2 within sixty days after the agreement, shall constitute full  
3 payment of all tax otherwise due upon such transfer. Rights of  
4 withdrawal of a surviving spouse not exercised within nine  
5 months of the transferor's death shall be ignored in making such  
6 calculations.

7 (f) Property subject to a power of appointment, whether or  
8 not the power is exercised and notwithstanding any blending of  
9 the property with the property of the donee, shall be taxed only  
10 as part of the estate of the donor.

11 Section 2117. Estate Tax.--(a) In the event that a Federal  
12 estate tax is payable to the Federal Government on the transfer  
13 of the taxable estate of a decedent who was a resident of this  
14 Commonwealth at the time of his death, and the inheritance tax,  
15 if any, actually paid to the Commonwealth by reason of the death  
16 of the decedent (disregarding interest or the amount of any  
17 discount allowed under section 2142) is less than the maximum  
18 credit for State death taxes allowable under section 2011 of the  
19 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
20 2011), a tax equal to the difference is imposed. If a resident  
21 decedent owned or had an interest in real property or tangible  
22 personal property having a situs in another state, the tax so  
23 imposed shall be reduced by the greater of:

24 (1) the amount of death taxes actually paid to the other  
25 state with respect to the estate of the decedent, excluding any  
26 death tax expressly imposed to receive the benefit of the credit  
27 for state death taxes allowed under section 2011 of the Internal  
28 Revenue Code of 1986 (26 U.S.C. § 2011); or

29 (2) an amount computed by multiplying the maximum credit for  
30 state death taxes allowable under section 2011 of the Internal

1 Revenue Code of 1986 (26 U.S.C. § 2011) by a fraction, the  
2 numerator of which is the value of the real property and  
3 tangible personal property to the extent included in the  
4 decedent's gross estate for Federal estate tax purposes and  
5 having a situs in the other state and the denominator of which  
6 is the value of the decedent's gross estate for Federal estate  
7 tax purposes.

8 (b) In the event that a Federal estate tax is payable to the  
9 Federal Government on the transfer of the taxable estate of a  
10 decedent who was not a resident of this Commonwealth at the time  
11 of his death but who owned or had an interest in real property  
12 or tangible personal property having a situs in this  
13 Commonwealth, a tax is imposed in an amount computed by  
14 multiplying the maximum credit for State death taxes allowable  
15 under section 2011 of the Internal Revenue Code of 1986 (26  
16 U.S.C. § 2011) by a fraction, the numerator of which is the  
17 value of the real property and tangible personal property to the  
18 extent included in the decedent's gross estate for Federal  
19 estate tax purposes having a situs in this Commonwealth and the  
20 denominator of which is the value of the decedent's gross estate  
21 for Federal estate tax purposes, and deducting from that amount  
22 the inheritance tax, if any, actually paid to the Commonwealth  
23 (disregarding interest or the amount of any discount allowed  
24 under section 2142).

25 (c) When an inheritance tax is imposed after an estate tax  
26 imposed under subsection (a) or (b) has been paid, the estate  
27 tax paid shall be credited against any inheritance tax later  
28 imposed.

## 29 PART V

## 30 VALUATION



1 Section 2121. Valuation.--(a) Except as otherwise provided  
2 in this part, the valuation date shall be the date of the  
3 transferor's death. When the transfer was made during lifetime  
4 and was not in trust, the property transferred shall be valued  
5 at the transferor's death. When the transfer was to an inter  
6 vivos trust, the property to be valued shall be that comprising  
7 the portion of the trust, if any, which exists at the  
8 transferor's death and which portion is traceable from property  
9 the transfer of which is subject to tax under this article.

10 (b) The value of a life interest shall be determined in  
11 accordance with rules and regulations promulgated by the  
12 department. Until the promulgation of rules and regulations to  
13 the contrary, the regulations in effect for Federal estate tax  
14 purposes shall apply.

15 (c) The value of an interest for a term certain shall be  
16 determined in accordance with rules and regulations promulgated  
17 by the department. Until the promulgation of rules and  
18 regulations to the contrary, the regulations in effect for  
19 Federal estate tax purposes shall apply.

20 (d) If an annuity or a life estate is terminated by the  
21 death of the annuitant or life tenant or by the happening of a  
22 contingency within nine months after the death of the  
23 transferor, the value of the annuity or estate shall be the  
24 value, at the date of the transferor's death, of the amount of  
25 the annuity or income actually paid or payable to the annuitant  
26 or life tenant during the period he was entitled to the annuity  
27 or was in possession of the estate. If an appraisement of an  
28 annuity or life estate has been filed before the termination,  
29 the appraisement and any assessment based on the appraisement  
30 shall be revised in accordance with this section upon request of

1 any party in interest, including the Commonwealth and the  
2 personal representative, insofar as the appraisement and any  
3 assessment based on the appraisement relates to the valuation of  
4 the terminated annuity or life estate, without the necessity of  
5 the party in interest following any procedure described in Part  
6 XI.

7 (e) The value of a future interest shall be determined in  
8 accordance with rules and regulations promulgated by the  
9 department. Until the promulgation of rules and regulations to  
10 the contrary, the regulations in effect for Federal estate tax  
11 purposes shall apply.

12 (f) When a decedent's property is subject, during his  
13 lifetime and at the time of his death, to a binding option or  
14 agreement to sell, the appraised value of the property shall not  
15 exceed the amount of the established price payable for it  
16 provided the option or agreement is a bona fide arrangement and  
17 not a device to transfer the property for less than an adequate  
18 and full consideration in money or money's worth. If the option  
19 or agreement is not exercised and consummated, the value at  
20 which the property is appraised shall not be limited to the  
21 established price payable for the property, and it shall not  
22 exceed the value of the property on the date of the transferor's  
23 death. When tax has been assessed on the basis of an established  
24 price and the option or agreement is not exercised and  
25 consummated or an amount greater than the established price is  
26 received for the property, the fiduciary or transferee shall  
27 file a supplemental return reporting the facts.

28 Section 2122. Valuation of Certain Farmland.--(a) The  
29 following words and phrases, when used in this section, shall  
30 have the meaning ascribed to them in this section, except where

1 the context clearly indicates a different meaning:

2 "Agricultural commodity." Any and all plant and animal  
3 products, including Christmas trees produced in this  
4 Commonwealth for commercial purposes.

5 "Agricultural conservation easement." As defined in section  
6 3 of the act of June 30, 1981 (P.L.128, No.43), known as the  
7 "Agricultural Area Security Law."

8 "Agricultural reserve." Noncommercial open space lands used  
9 for outdoor recreation or the enjoyment of scenic or natural  
10 beauty and open to the public for such use, without charge or  
11 fee, on a nondiscriminatory basis.

12 "Agricultural use." Use of the land for the purpose of  
13 producing an agricultural commodity or when devoted to and  
14 meeting the requirements and qualifications for payments or  
15 other compensation pursuant to a soil conservation program under  
16 an agreement with an agency of the Federal Government.

17 "Forest reserve." Land, ten acres or more, stocked by forest  
18 trees of any size and capable of producing timber or other wood  
19 products.

20 "Separation." A division, by conveyance or other action of  
21 the owner, of lands devoted to agricultural use, agricultural  
22 reserve or forest reserve and preferentially assessed under the  
23 provisions of this section into two or more tracts of land which  
24 continue to be agricultural use, agricultural reserve or forest  
25 reserve and all tracts so formed meet the requirements of  
26 section 3 of the act of December 19, 1974 (P.L.973, No.319),  
27 known as the "Pennsylvania Farmland and Forest Land Assessment  
28 Act of 1974."

29 "Split-off." A division, by conveyance or other action of  
30 the owner, of lands devoted to agricultural use, agricultural

1 reserve or forest reserve and preferentially assessed under the  
2 provisions of this section into two or more tracts of land, the  
3 use of which on one or more of such tracts does not meet the  
4 requirements of section 3 of the act of December 19, 1974  
5 (P.L.973, No.319), known as the "Pennsylvania Farmland and  
6 Forest Land Assessment Act of 1974."

7 (b) (1) The value for transfer inheritance tax purposes of  
8 land or an interest in land which is owned by a decedent and  
9 devoted to agricultural use, agricultural reserve or forest  
10 reserve shall be that value which such land has for its  
11 particular use if it also meets the following conditions:

12 (i) in the case of land devoted to agricultural use, the  
13 land was devoted to such agricultural use for the three years  
14 preceding the death of such decedent and is not less than ten  
15 contiguous acres in area or has an anticipated yearly gross  
16 income derived from agricultural use of two thousand dollars  
17 (\$2,000);

18 (ii) in the case of land devoted to agricultural reserve,  
19 the land is not less than ten contiguous acres in area;

20 (iii) in the case of land presently devoted to forest  
21 reserve, the land is not less than ten contiguous acres in area;  
22 or

23 (iv) the contiguous tract of land for which application is  
24 made is not less than the entire contiguous area of the owner  
25 used for agricultural use, agricultural reserve or forest  
26 reserve purposes.

27 (2) In determining the value of land in agricultural use,  
28 agricultural reserve or forest reserve for its particular use,  
29 consideration shall be given to available evidence of such  
30 land's capability for its particular use as derived from the

1 soil survey at The Pennsylvania State University, the National  
2 Cooperative Soil Survey, the United States Census of  
3 Agricultural Categories of land use classes and other evidence  
4 of the capability of the land devoted to such use and also, if  
5 the land is assessed under the provisions of the "Pennsylvania  
6 Farmland and Forest Land Assessment Act of 1974," to the  
7 valuation determined by the local county assessor thereunder.

8 (c) (1) If any tract of land in agricultural use,  
9 agricultural reserve or forest reserve, which is valued for  
10 inheritance tax purposes under the provisions of this part, is  
11 applied to a use other than agricultural use, agricultural  
12 reserve or forest reserve or for any other reason, except  
13 condemnation thereof, is removed from the category of land  
14 preferentially valued under this part within seven years  
15 following the death of such decedent, the owner at such time the  
16 land is so removed shall be subject and liable to tax due the  
17 Commonwealth in an amount equal to the difference, if any,  
18 between the taxes paid or payable on the basis of the valuation  
19 authorized under this section and the taxes that would have been  
20 paid or payable had that land been valued and taxed on the basis  
21 of its market value at the death of the decedent, plus interest  
22 thereon for the period from the date of death to the change of  
23 use at the rate established in section 2143.

24 (2) The tax shall be a lien upon the property in favor of  
25 the Commonwealth, collectible in the manner provided by law for  
26 the collection of delinquent real estate taxes, as well as the  
27 personal obligation of the owner at the time of such change of  
28 use. The tax shall become due on the date of change of use.

29 (3) Every owner of land preferentially valued under this  
30 section shall notify the register of wills of the county or

counties in which the land is located of any change or proposed change in the use of the land. Any owner failing to make notification commits a misdemeanor of the third degree.

(d) (1) The split-off of a part of the land which has been valued, assessed and taxed under this article for a use other than agricultural use, agricultural reserve or forest reserve within the seven-year period provided for by subsection (c) shall, except when the split-off occurs through condemnation, subject the land divided and the entire parcel from which the land was divided to liability for taxes as otherwise set forth in this article except as provided in subclause (2).

(2) The owner of property subject to a preferential tax assessment may split off land covered by the preferential tax assessment within the seven-year period. The tract of land so split-off shall not exceed two acres annually and may only be used for residential use, agricultural use, agricultural reserve or forest reserve and the construction of a residential dwelling to be occupied by the person to whom the land is transferred. The total parcel or parcels of land split-off under the provisions of this subsection shall not exceed ten per cent or ten acres, whichever is less, of the entire tract subject to the preferential tax assessment. The split-off of a parcel of land which meets the requirements of this subsection shall not invalidate the preferential tax assessment if it continues to meet the requirements of subsection (b).

(3) The owner of property subject to a preferential use assessment may separate land covered by the preferential use assessment. The separation shall not invalidate the preferential tax assessment unless a subsequent abandonment of preferential use occurs within seven years of the separation. The abandonment

1 shall subject the entire tract of land separated to liability  
2 for taxes, which are to be paid by the person changing the use,  
3 as set forth in this article.

4 (4) When property subject to preferential tax assessment is  
5 separated among the beneficiaries taxed under subsection (a) (1)  
6 of section 2116, a subsequent change within the seven-year  
7 period provided for in subsection (b) in the use of one  
8 beneficiary's portion of the property shall subject only that  
9 tract held by the beneficiary who changes the use to liability  
10 under this article.

11 (e) The value for transfer inheritance tax purposes of land  
12 or an interest in land which is part of an agricultural  
13 conservation easement shall be at fifty per cent of the value  
14 otherwise determined under this section.

## 15 PART VI

### 16 DEDUCTIONS

17 Section 2126. Deductions Generally.--The only deductions  
18 from the value of the property transferred shall be those set  
19 forth in this part. Except as otherwise provided in this  
20 article, they shall be deductible regardless of whether or not  
21 assets comprising the decedent's taxable estate are employed in  
22 the payment or discharge of the deductible items. When a tax is  
23 imposed upon a transfer described in subsection (c) of section  
24 2107 and section 2108, the deductions shall be allowed to the  
25 transferee only to the extent that the transferee has actually  
26 paid the deductible items and either the transferee was legally  
27 obligated to pay the deductible items or the estate subject to  
28 administration by a personal representative is insufficient to  
29 pay the deductible items.

30 Section 2127. Expenses.--The following expenses may be

deducted from the value of the property transferred:

(1) Administration expenses. All reasonable expenses of administration of the decedent's estate and of the assets includable in the decedent's taxable estate are deductible.

(2) Bequest to fiduciary or attorney in lieu of fees. A transfer to an executor, trustee or attorney in lieu of compensation for services is deductible to the extent it does not exceed reasonable compensation for the services to be performed.

(3) Family exemption. The family exemption is deductible.

(4) Funeral and burial expenses. Reasonable and customary funeral expenses, including the cost of a family burial lot or other resting place, are deductible.

(5) Tombstones and gravemarkers. Reasonable and customary expenses for the purchase and erection of a monument, gravestone or marker on decedent's burial lot or final resting place are deductible.

(6) Burial trusts or contracts. Bequests or devises in trust, or funds placed in trust after decedent's death or funds paid under a contract after decedent's death, in reasonable amounts, to the extent that the funds or income from the funds is to be applied to the care and preservation of the family burial lot or other final resting place in which the decedent is buried or the remains of the decedent repose and the structure on the burial lot or other final resting place, are deductible.

(7) Bequests for religious services. Bequests in reasonable amounts for the performance or celebration of religious rites, rituals, services or ceremonies, in consequence of the death of the decedent, shall be deductible.

Section 2128. Taxes.--The following taxes may be deducted



1 from the value of the property transferred:

2 (1) Property taxes. Taxes imposed against the decedent or  
3 against any property constituting a part of decedent's gross  
4 taxable estate and which are owing prior to decedent's death are  
5 deductible. However, taxes for which decedent is not personally  
6 liable shall not be deductible in an amount exceeding the value  
7 of the property against which the taxes are lien.

8 (2) State and foreign death taxes. Death taxes other than  
9 the Federal estate tax, disregarding interest and penalty, paid  
10 to other states and territories of the United States and to  
11 taxing jurisdictions outside the United States and its  
12 territories on assets, the transfer of which is subject to tax  
13 under this article, if the taxes are required to be paid to  
14 bring the assets into this Commonwealth, or to transfer them to  
15 the new owner, are deductible.

16 Section 2129. Liabilities.--(a) Except as set forth in  
17 section 2130(5), all liabilities of the decedent shall be  
18 deductible subject to the limitations set forth in this section.

19 (b) Except as otherwise provided in subsections (h) and (i),  
20 the deductions for indebtedness of the decedent, when founded  
21 upon a promise or agreement, shall be limited to the extent that  
22 it was contracted bona fide and for an adequate and full  
23 consideration in money or money's worth.

24 (c) Except as provided by subclause (4) of section 2130,  
25 indebtedness owing by the decedent upon a secured loan is  
26 deductible whether or not the security is a part of the gross  
27 taxable estate.

28 (d) Except as provided by subclause (4) of section 2130, the  
29 decedent's liability (net of all collectible contribution) on a  
30 joint obligation is deductible whether or not payment of the

obligation is secured by entirety property or property which passes to another under the right of survivorship.

(e) Indebtedness arising from a contract for the support of the decedent is deductible.

(f) Decedent's obligation is deductible whether or not discharged by testamentary gift.

(g) Decedent's debt, which is unenforceable because of any statute of limitations, is deductible if paid by the estate.

(h) A pledge to a transferee exempt under the provisions of subsection (c) of section 2111 is deductible if paid by the estate, whether or not it is legally enforceable.

(i) Liabilities arising from the decedent's tort or from decedent's status as an accommodation endorser, guarantor or surety are deductible, except to the extent that it can be reasonably anticipated that decedent's estate will be exonerated or reimbursed by others primarily liable or subject to contribution.

(j) The fact that a surviving spouse is legally liable and financially able to pay any item which, if the deceased spouse were unmarried, would qualify as a deduction under this part shall not result in the disallowance of such item as a deduction.

(k) Obligations for decedent's medical expenses are not deductible to the extent decedent's estate will be exonerated or reimbursed for such expenses from other sources.

Section 2130. Deductions Not Allowed.--The following are not deductible:

(2) Claims of a former spouse, or others, under an agreement between the former spouse and the decedent, insofar as they arise in consideration of a relinquishment or promised

1 relinquishment of marital or support rights.

2 (3) Litigation expenses of beneficiaries.

3 (4) Indebtedness secured by real property or tangible  
4 personal property, all of which has its situs outside of this  
5 Commonwealth, except to the extent the indebtedness exceeds the  
6 value of the property.

7 (5) Expenses, debts, obligations and liabilities incurred in  
8 connection with a qualified family-owned business interest  
9 exempted from inheritance under section 2111(t) and any property  
10 exempted from inheritance tax under section 2111(s) or (s.1).

## 11 PART VII

### 12 PAYMENT OF TAX

13 Section 2136. Returns.--(a) The following persons shall  
14 make a return:

15 (1) The personal representative of the estate of the  
16 decedent as to property of the decedent administered by him and  
17 additional property which is or may be subject to inheritance  
18 tax of which he shall have or acquire knowledge.

19 (2) The transferee of property upon the transfer of which  
20 inheritance tax is or may be imposed by this article, including  
21 a trustee of property transferred in trust. No separate return  
22 need be made by the transferee of property included in the  
23 return of a personal representative.

24 (b) The inclusion of property in the return shall not  
25 constitute an admission that its transfer is taxable.

26 (c) Any person required to file a return under subsection  
27 (a) shall promptly file a supplemental return with respect to  
28 additional assets and transfers which come to his knowledge  
29 after the original return has been filed.

30 (d) The returns required by subsection (a) shall be filed

1 within nine months after the death of the decedent. At any time  
2 prior to the expiration of the nine-month period, the  
3 department, in its discretion, may grant an extension of the  
4 time for filing a return for an additional period of six months.

5 (e) The returns required by subsections (a) and (c) shall be  
6 made in the form prescribed by the department.

7 (f) When the decedent was a resident, the returns shall be  
8 filed with the register. When the decedent was a nonresident,  
9 the returns shall be filed with the register who issued letters,  
10 if any, in this Commonwealth; otherwise, the returns shall be  
11 filed with the department.

12 Section 2137. Appraisement.--The department shall have  
13 supervision over, and make or cause to be made, fair and  
14 conscionable appraisements of property the transfer of which is  
15 subject to tax under this article. The appraisement, unless  
16 suspended until audit, shall be made within six months after the  
17 return has been filed and, if not so made, shall be made within  
18 an additional period as the court, upon application of any party  
19 in interest, including the personal representative, shall fix.

20 Section 2138. Deductions.--The official with whom the return  
21 is required by subsection (f) of section 2136 to be filed shall  
22 determine the allowance or disallowance of all deductions  
23 claimed. The determination, unless suspended until audit, shall  
24 be made within six months after the claim for allowance has been  
25 filed and, if not so made, shall be made within such further  
26 period as the court, upon application by any party in interest,  
27 including the personal representative, shall fix. However, the  
28 court, at the request of the fiduciary at the audit of his  
29 account, may determine and allow, as deductions, all properly  
30 deductible credits claimed in the account or allowed at the

1 audit without requiring the filing of a separate claim for them,  
2 and the court may then fix the amount of the tax and decree  
3 payment of the tax. Deductions exceeding one hundred dollars  
4 (\$100) in the aggregate shall not be allowed by the court unless  
5 the Commonwealth is represented at the audit by counsel or  
6 unless there is proof that the register has had at least thirty  
7 days notice of the claim.

8     Section 2139. Assessment of Tax.--After the appraisement has  
9 been made and the allowance or disallowance of deductions  
10 determined, the inheritance tax, as affected by the court's  
11 determination of the allowance or disallowance of deductions as  
12 provided in section 2138, shall be assessed by the official with  
13 whom the return is required to be filed under subsection (f) of  
14 section 2136. The assessment, unless suspended until audit,  
15 shall be made within one month after the filing of the  
16 appraisement or determination of deductions, whichever occurs  
17 later, and, if not so made, shall be made within an additional  
18 period as the court, upon application by any party in interest,  
19 including the personal representative, shall fix.

20     Section 2140. Notice.--The department shall give, or cause  
21 to be given, notice of the filing of the appraisement, the  
22 determination of the allowance or disallowance of deductions and  
23 the amount of tax assessed, and all supplements, to the personal  
24 representative and to any transferee who filed a tax return or  
25 to their respective attorneys.

26     Section 2141. Failure to File Returns Not a Bar to  
27 Assessment of Tax.--Failure to file a return of a taxable  
28 transfer shall not bar the making of an appraisement or  
29 supplemental appraisement or assessment of tax or supplemental  
30 assessment of tax based upon taxable transfers not returned

1 under the provisions of this article.

2 Section 2142. Payment Date and Discount.--Inheritance tax is  
3 due at the date of the decedent's death and shall become  
4 delinquent at the expiration of nine months after the decedent's  
5 death. To the extent that the inheritance tax is paid within  
6 three months after the death of the decedent, a discount of five  
7 per cent shall be allowed.

8 Section 2143. Interest.--If the inheritance tax is not paid  
9 before the date it becomes delinquent, interest on the unpaid  
10 tax shall be charged after the date of delinquency at the rate  
11 established pursuant to section 806 of the act of April 9, 1929  
12 (P.L.343, No.176), known as "The Fiscal Code." When payment of  
13 inheritance tax is not made because of litigation or other  
14 unavoidable cause of delay and the property on which the tax has  
15 been calculated has remained in the hands of a fiduciary and has  
16 not produced a net income equal to the rate of interest provided  
17 in this section annually, interest for such period shall be  
18 calculated at the rate of the net income produced by the  
19 property. Any payment on delinquent inheritance tax shall be  
20 applied first to any interest due on the tax at the date of  
21 payment and then, if there is any balance, to the tax itself.

22 Section 2144. Source of Payment.--(a) In the absence of a  
23 contrary intent appearing in the will, the inheritance tax,  
24 including interest, on the transfer of property which passes by  
25 will absolutely and in fee, and which is not part of the  
26 residuary estate, shall be paid out of the residuary estate and  
27 charged in the same manner as a general administration expense  
28 of the estate. The payments shall be made by the personal  
29 representative and, if not so paid, shall be made by the  
30 transferee of the residuary estate.

1 (b) In the absence of a contrary intent appearing in the  
2 inter vivos trust, the inheritance tax, including interest, on  
3 the transfer of property which passes absolutely and in fee by  
4 inter vivos trust, and which is not part of the residue of the  
5 inter vivos trust, shall be paid out of the residue of the trust  
6 and charged in the same manner as a general administration  
7 expense of the trust. The payment shall be made by the trustee  
8 and, if not so paid, shall be made by the transferee of the  
9 residue of the trust.

10 (c) In the absence of a contrary intent appearing in the  
11 will, the inheritance tax, including interest, on the transfer  
12 of property which passes by will other than absolutely and in  
13 fee, and which is not part of the residuary estate, shall be  
14 paid out of the residuary estate and charged in the same manner  
15 as a general administration expense of the estate. The payment  
16 shall be made by the personal representative and, if not so  
17 paid, shall be made by the transferee of the residuary estate.

18 (d) In the absence of a contrary intent appearing in the  
19 inter vivos trust, the inheritance tax, including interest, on  
20 the transfer of property which passes other than absolutely and  
21 in fee by inter vivos trust, and which is not part of the  
22 residue of the inter vivos trust, shall be paid out of the  
23 residue of the trust and charged in the same manner as a general  
24 administration expense of the trust. The payment shall be made  
25 by the trustee and, if not so paid, shall be made by the  
26 transferee of the residue of the trust.

27 (e) In the absence of a contrary intent appearing in the  
28 will or other instrument of transfer, the inheritance tax, in  
29 the case of a transfer of any estate, income or interest for a  
30 term of years, for life or for other limited period, shall be

1 paid out of the principal of the property by which the estate,  
2 income or interest is supported, except as otherwise provided in  
3 subsection (c) or (d). The payment shall be made by the personal  
4 representative or trustee and, if not so paid, shall be made by  
5 the transferee of such principal.

6 (e.1) In the absence of a contrary intent appearing in the  
7 will or other instrument of transfer creating the trust or  
8 similar arrangement, and in the absence of a contrary intent  
9 appearing in the will or other instrument of transfer of the  
10 surviving spouse which expressly refers to the trust or similar  
11 arrangement, the inheritance tax, including interest, due at the  
12 death of a surviving spouse with respect to a trust or similar  
13 arrangement to which section 2113(b) is applicable shall be paid  
14 out of the residue of the principal of the trust or similar  
15 arrangement and charged as a general administration expense of  
16 the trust or similar arrangement. The payment shall be made by  
17 the trustee or other fiduciary in possession of the property  
18 and, if not so paid, shall be made by the transferee of the  
19 residue of the trust or similar arrangement.

20 (f) In the absence of a contrary intent appearing in the  
21 will or other instrument of transfer and except as otherwise  
22 provided in this section, the ultimate liability for the  
23 inheritance tax, including interest, shall be upon each  
24 transferee.

25 Section 2145. Estate Tax Return.--(a) The person or persons  
26 required by section 2136 to make the inheritance tax return  
27 shall be initially liable for payment of the estate tax.

28 (b) The personal representative of every decedent or, if  
29 there is no personal representative, any other fiduciary charged  
30 by law with the duty of filing a Federal estate tax return,



1 within one month of the filing or receipt of the return shall  
2 file with the register or, if the decedent was a nonresident,  
3 with the register who issued letters, if any, in this  
4 Commonwealth, or otherwise with the department, a copy of the  
5 decedent's Federal estate tax return and of any communication  
6 from the Federal Government making any final change in the  
7 return or of the tax due. The assessment of estate tax shall be  
8 made by the register or department within three months after the  
9 filing of the documents required to be filed and, if not so  
10 made, shall be made within an additional period as the court,  
11 upon application of any party in interest, including the  
12 personal representative, shall fix.

13 (c) The estate tax is due at the date of the decedent's  
14 death but shall not become delinquent until the expiration of  
15 nine months after decedent's death. Any estate tax occasioned by  
16 a final change in the Federal return or of the tax due shall not  
17 become delinquent until the expiration of one month after the  
18 person or persons liable to pay the tax have received final  
19 notice of the increase in the Federal estate tax.

20 (d) No discount shall be allowed in paying the estate tax.

21 (e) If the estate tax is not paid before the date it becomes  
22 delinquent under subsection (c), interest on the unpaid tax  
23 shall be charged after the date of delinquency at the rate  
24 established in section 2143.

25 (f) The estate tax shall be apportioned and ultimately borne  
26 in accordance with the provisions of 20 Pa.C.S. Ch. 37 (relating  
27 to apportionment of death taxes) unless otherwise provided by  
28 this article or in the instrument of transfer.

29 (g) When the decedent was a resident, the estate tax shall  
30 be paid to the register. When the decedent was a nonresident,

1 the estate tax shall be paid to the register who issued letters,  
2 if any, in this Commonwealth; otherwise, it shall be paid to the  
3 department.

4 Section 2146. Deduction and Collection of Tax by Personal  
5 Representative or Other Fiduciary.--Subject to the provisions of  
6 sections 2144 and 2154, every personal representative or other  
7 fiduciary (other than a trustee of a pension, stock-bonus,  
8 profit-sharing, retirement annuity, deferred compensation,  
9 disability, death benefit, or other employe benefit plan) in  
10 charge of or in possession of any property, or instrument  
11 evidencing ownership of property, the transfer of which is  
12 subject to a tax imposed by this article other than a tax on a  
13 future interest not yet delinquent, shall deduct the tax from  
14 the property, if money, or shall collect the tax from the  
15 transferee. Any delivery of property or instrument by the  
16 fiduciary to a transferee, except in accordance with a decree of  
17 distribution of the court or pursuant to a duly executed notice  
18 of election filed under section 2154, shall not relieve him of  
19 personal liability for a tax imposed by this article. No  
20 personal representative or other fiduciary in charge of or in  
21 possession of any property subject to this article shall be  
22 compelled to pay or deliver it to the transferee except upon  
23 payment to him of the tax due other than tax on a future  
24 interest not yet delinquent. If the transferee neglects or  
25 refuses to pay the tax, the personal representative or other  
26 fiduciary may sell the property subject to the tax, or so much  
27 of the property as is necessary, under direction of the court.  
28 All money retained by the personal representative or other  
29 fiduciary, or paid to him on account of the taxes imposed by  
30 this article, shall be remitted by him before the tax becomes

1 delinquent or, if received after the tax becomes delinquent,  
2 shall be remitted by him promptly upon its receipt.

3 Section 2147. Duties of Depositories.--When money is  
4 deposited or invested in a financial institution located in this  
5 Commonwealth in the names of two or more persons, other than  
6 husband and wife, or in the name of a person or persons in trust  
7 for another or others, and one of the parties to the deposit or  
8 investment dies, it shall be the duty of the financial  
9 institution, within ten days after knowledge of the death, to  
10 notify the department, giving the name of the deceased person,  
11 the date of the creation of the joint or trust deposit or  
12 investment, the amount invested or on deposit at the date of  
13 death with the financial institution and the name and address of  
14 the survivor or survivors to the account. No notification shall  
15 be required in regard to the account when the deposit at the  
16 time of death does not exceed three hundred dollars (\$300).

17 Section 2148. Compromise by Department.--The department,  
18 with the approval of the Attorney General, may compromise in  
19 writing, with the person liable, the tax, including interest on  
20 the tax, payable on any transfer of property included in the  
21 estate of any decedent who it is alleged was a nonresident at  
22 the time of his death. A copy of the compromise agreement shall  
23 be filed with the register who issued letters, if any, in this  
24 Commonwealth; otherwise, it shall be filed with the department.  
25 The compromise agreement shall constitute a final determination  
26 of the matters covered by it and the payment of the tax, as  
27 fixed by the agreement, shall discharge all persons and property  
28 from liability with respect to the tax.

29 Section 2149. Interstate Compromise and Arbitration of  
30 Inheritance Taxes.--When the register or the department alleges

1 that a decedent was a resident of this Commonwealth at the time  
2 of his death, and the taxing authorities of another state or  
3 territory make a like claim on behalf of their state or  
4 territory, a written agreement of compromise or a written  
5 agreement to submit the controversy to a board of arbitrators  
6 may be made under Part VIII.

7 Section 2150. Extension of Time for Payment.--The department  
8 may, for reasonable cause, extend the time for payment of any  
9 part of the inheritance tax and may, if deemed necessary for the  
10 protection of the interest of this Commonwealth, require the  
11 transferee in present possession or, if a trust is involved, the  
12 trustee to file a bond in the name of the Commonwealth with  
13 sufficient surety, in an amount not exceeding twice the tax  
14 computed when the bond is given at the highest rate possible in  
15 the specific contingencies involved (reduced by the amount of  
16 any partial payment made) and conditioned for the payment of the  
17 tax at such postponed due date, together with interest from the  
18 due date to the payment date. No bond shall be required under  
19 this section if the trustee or one of the trustees is a bank and  
20 trust company or a trust company incorporated in this  
21 Commonwealth or a national banking association having its  
22 principal office in this Commonwealth. The bond required shall  
23 be filed in the office of the register.

24 Section 2151. Bond for Delinquent Tax.--The court, in its  
25 discretion, at any time after a tax imposed by this article  
26 becomes delinquent, upon application of the department, may  
27 require any person liable for a tax imposed by this article to  
28 give a bond for its payment. The bond shall be in the name of  
29 the Commonwealth, in such amount and with such surety as the  
30 court approves and conditioned for the payment of the tax, plus

1 interest at the same rate as the interest rate on deficiencies  
2 provided for in section 2143, commencing on the date the tax  
3 became delinquent, within a time certain to be fixed by the  
4 court and specified in the bond. The bond required shall be  
5 filed in the office of the register.

6 Section 2152. Evidence of Payment of Tax for Real Estate in  
7 Another County.--When any tax is imposed and paid under this  
8 article on real estate located in a county other than that of  
9 the register who received payment, the register shall, upon  
10 request, immediately forward to the register of the county where  
11 the real estate is located a certificate of the payment of the  
12 tax on the real estate which shall be entered of record in his  
13 office. The register of the county where the real estate is  
14 located shall be entitled to a fee of two dollars (\$2) for  
15 entering the record of payment to be paid as a part of the  
16 administration expenses of the decedent's estate.

17 Section 2153. Penalties.--(a) Any person who willfully  
18 fails to file a return or other report required of him under the  
19 provisions of sections 2136 and 2145 shall be personally liable,  
20 in addition to any liability imposed elsewhere in this article,  
21 to a penalty of twenty-five per cent of the tax ultimately found  
22 to be due or one thousand dollars (\$1,000), whichever is less,  
23 to be recovered by the department as debts of like amount are  
24 recoverable by law.

25 (b) Any financial institution which fails to give the notice  
26 required by section 2147 shall be liable to a penalty of one  
27 hundred dollars (\$100) to be recovered by the department as  
28 debts of like amount are recoverable by law.

29 (c) Any person who willfully makes a false return or report  
30 required of him under the provisions of this article, in

1 addition to any liability imposed elsewhere in this article,  
2 commits a misdemeanor of the third degree.

3 Section 2154. Payment of Tax for Small Business Transfers.--

4 (a) Notwithstanding the provisions of section 2142, the  
5 inheritance tax due under this article on the transfer of a  
6 small business interest may be paid by the qualified transferee  
7 in consecutive quarterly installments beginning immediately  
8 following the expiration of nine months after the decedent's  
9 death. The tax may be paid in twenty consecutive quarterly  
10 installments.

11 (b) The tax shall be paid in consecutive quarterly  
12 installments due on March 31, June 30, September 30 and December  
13 31 of each year, provided the return required by section 2136 is  
14 timely filed, along with a notice of election executed by the  
15 qualified transferee and joined in by the personal  
16 representative which shall relieve the personal representative  
17 or other fiduciary of liability for the collection and payment  
18 of tax under section 2146. The notice of election shall be  
19 completed on a form prescribed by the department containing at  
20 least the following information:

21 (1) The name of the decedent and date of death.

22 (2) The name or names of the personal representative or  
23 other fiduciary.

24 (3) The name or names of the qualified transferees filing  
25 the election.

26 (4) A description and estimated valuation of the business  
27 interest on which tax is due.

28 (5) A statement that the qualified transferees assume full  
29 personal responsibility for the tax.

30 Each notice of election shall be affirmed before an officer

empowered to administer oaths. The installment payment of tax shall bear interest at the rate of nine per cent per annum.

(c) In the event any portion of a small business interest on which the installment payment of tax has been elected is sold, exchanged or otherwise disposed of prior to the expiration of five years following the date of death and that portion equals or exceeds fifty per cent of the total value of the small business interest received by the qualified transferee, the transferee shall immediately provide written notice of the sale, exchange or disposition to the department, and the full amount of the tax then outstanding on that portion shall become due and payable at the expiration of sixty days following the date of sale, exchange or other disposition.

(d) For purposes of this section, the term "small business interest" means an interest in an operating trade or business entity the principal purpose of which is not the management of investments or income producing assets owned by the entity which has employed an average of less than fifty full-time employees during the twelve months immediately preceding the date of death and which meets one of the following criteria:

(1) An interest as a proprietor in a trade or business carried on as a proprietorship.

(2) An interest as a partner in a partnership carrying on a trade or business if:

(i) twenty per cent or more of the total capital interest in the partnership is included in determining the gross estate of the decedent; or

(ii) the partnership had ten or less partners.

(3) Stock in a corporation carrying on a trade or business if:

1 (i) twenty per cent or more in value of the voting stock of  
2 the corporation is included in determining the gross estate of  
3 the decedent; or

4 (ii) the corporation had ten or less shareholders.

5 (e) Qualified transferee defined.--For purposes of this  
6 section, the term "qualified transferee" means a legatee or  
7 other transferee receiving:

8 (1) ten per cent or more of the value of a proprietorship  
9 qualifying as a small business interest as defined in subsection  
10 (d);

11 (2) ten per cent or more of the total capital interest in a  
12 partnership qualifying as a small business interest as defined  
13 in subsection (d); or

14 (3) ten per cent or more in value of the voting stock of a  
15 corporation qualifying as a small business interest as defined  
16 in subsection (d).

## 17 PART VIII

### 18 UNIFORM ACT ON INTERSTATE COMPROMISE AND

### 19 ARBITRATION OF INHERITANCE TAXES

20 Section 2156. Short Title.--This part shall be known and may  
21 be cited as the "Uniform Act on Interstate Compromise and  
22 Arbitration of Inheritance Taxes."

23 Section 2157. Compromise Agreement and Filing, Interest or  
24 Penalty for Nonpayment of Taxes.--When the department or the  
25 register claims a decedent was domiciled in this Commonwealth at  
26 the time of his death and the taxing authority of another state  
27 makes a like claim on behalf of its state, the department may,  
28 with the approval of the Attorney General, make a written  
29 agreement of compromise with the other taxing authority and the  
30 executor or administrator of the decedent that a certain sum



1 shall be accepted in full satisfaction of any and all  
2 inheritance taxes imposed by this Commonwealth, including any  
3 interest or penalties to the date of signing the agreement. The  
4 agreement shall also fix the amount to be accepted by the other  
5 state in full satisfaction of inheritance taxes. The executor or  
6 administrator of the decedent is authorized to make the  
7 agreement. The agreement shall conclusively fix the amount of  
8 tax payable to the Commonwealth without regard to any other  
9 provision of the laws of this Commonwealth. Unless the tax  
10 agreed upon is paid within sixty days after the signing of the  
11 agreement, interest or penalties shall accrue upon the amount  
12 fixed in the agreement, but the time between the decedent's  
13 death and the signing of the agreement shall not be included in  
14 computing the interest or penalties. In the event the aggregate  
15 amount payable under the agreement to the states involved is  
16 less than the maximum credit allowable to the estate against the  
17 Federal estate tax imposed with respect to the estate, the  
18 personal representatives shall also pay to the department so  
19 much of the difference between the aggregate amount and the  
20 amount of such credit as the amount payable to the department  
21 under the agreement bears to the aggregate amount. A copy of the  
22 agreement shall be filed in the office of the proper register,  
23 and any existing appraisement shall be deemed modified according  
24 to the agreement. In the event no appraisement has been made and  
25 filed prior to the agreement, the department shall direct an  
26 appraisement to be made and filed in the office of the proper  
27 register in accordance with the agreement.

28 Section 2158. Arbitration Agreement.--When the department or  
29 the register claims that a decedent was domiciled in this  
30 Commonwealth at the time of his death and the taxing authority

1 of another state makes a like claim on behalf of its state, the  
2 department may, with the approval of the Attorney General, make  
3 a written agreement with the other taxing authority and with the  
4 executor or administrator of the decedent to submit the  
5 controversy to the decision of a board consisting of one or any  
6 uneven number of arbitrators. The executor or administrator of  
7 the decedent is authorized to make the agreement. The parties to  
8 the agreement shall select the arbitrator or arbitrators.

9 Section 2159. Arbitration Board.--(a) The board shall have  
10 the power to administer oaths, take testimony, subpoena and  
11 require the attendance of witnesses and the production of books,  
12 papers and documents and issue commissions to take testimony.  
13 Subpoenas may be signed by any member of the board. In case of  
14 failure to obey a subpoena, any judge of a court of record of  
15 this Commonwealth, upon application by the board, may make an  
16 order requiring compliance with the subpoena, and the court may  
17 punish failure to obey the order as a contempt.

18 (b) The board shall hold hearings at a time and place it may  
19 determine, upon reasonable notice to the parties to the  
20 agreement, all of whom shall be entitled to be heard, to present  
21 evidence and to examine and cross-examine witnesses.

22 (c) Except as provided in subsection (a) in respect to the  
23 issuance of subpoenas, all questions arising in the course of  
24 the proceedings shall be determined by a majority vote of the  
25 board.

26 (d) The board shall, by a majority vote, determine the  
27 domicile of the decedent at the time of his death. This  
28 determination shall be final for the purpose of imposing and  
29 collecting inheritance taxes but for no other purpose.

30 (e) The compensation and expenses of the members of the

1 board and its employees may be agreed upon among the members and  
2 the executor or administrator and, if they cannot agree, shall  
3 be fixed by any court having jurisdiction over probate matters  
4 of the State determined by the board to be the domicile of the  
5 decedent. The amounts so agreed upon or fixed shall be deemed an  
6 administration expense and shall be payable by the executor or  
7 administrator.

8 Section 2160. Filing of Determination of Domicile and Other  
9 Documents.--The department, register or board, or the executor  
10 or administrator of the decedent, shall file the determination  
11 of the board as to domicile, the record of the board's  
12 proceedings and the agreement, or a duplicate, made pursuant to  
13 section 2158 with the authority having jurisdiction to assess or  
14 determine the inheritance taxes in the State determined by the  
15 board to be the domicile of the decedent and shall file copies  
16 of the documents with the authorities that would have been  
17 empowered to assess or determine the inheritance taxes in each  
18 of the other states involved.

19 Section 2161. Interest or Penalties for Nonpayment of  
20 Taxes.--In any case where it is determined by the board that the  
21 decedent died domiciled in this Commonwealth, interest or  
22 penalties, if otherwise imposed by law, for nonpayment of  
23 inheritance taxes between the date of the agreement and of  
24 filing of the determination of the board as to domicile shall  
25 not exceed the rate provided for in section 2143.

26 Section 2162. Compromise by Parties to Arbitration  
27 Agreement.--The provisions of this part shall not prevent at any  
28 time a written compromise, if otherwise lawful, by all parties  
29 to the agreement made pursuant to section 2157, fixing the  
30 amounts to be accepted by this Commonwealth and any other state

1 involved in full satisfaction of inheritance taxes.

2 Section 2163. Reciprocal Application.--The provisions of  
3 this part relative to arbitration shall apply only to cases in  
4 which and so far as each of the states involved has a law  
5 identical or substantially similar to this part.

6 PART IX

7 COLLECTION OF TAX

8 Section 2166. Timely Mailing Treated as Timely Filing and  
9 Payment.--Notwithstanding the provisions of any State tax law to  
10 the contrary, whenever a report or payment of all or any portion  
11 of a State tax is required by law to be received by the  
12 department or other agency of the Commonwealth on or before a  
13 day certain, the taxpayer shall be deemed to have complied with  
14 the law if the letter transmitting the report or payment of the  
15 tax which has been received by the department is postmarked by  
16 the United States Postal Service on or prior to the final day on  
17 which the payment is to be received. For the purposes of this  
18 article, presentation of a receipt indicating that the report or  
19 payment was mailed by registered or certified mail on or before  
20 the due date shall be evidence of timely filing and payment. Any  
21 inheritance tax return filed after July 1, 2012, under section  
22 2136 that reports transfers of property that are exempt from the  
23 inheritance tax under section 2111(s), (s.1) and (t) shall be  
24 considered timely filed if filed within one year of the tax  
25 return due date, including an extended due date.

26 Section 2167. Lien and Duration of Lien.--The taxes imposed  
27 by this article, together with any interest on the taxes, shall  
28 be a lien upon the real property included in the transfer on  
29 which the taxes are imposed. Except as otherwise provided in  
30 this part, the lien shall remain until the taxes and interest

1 are paid in full.

2 Section 2168. Limited and Future Interests.--In the case of  
3 a transfer of any estate, income or interest for a term of  
4 years, for life or for other limited period, or constituting a  
5 future interest, the taxes imposed by this article, together  
6 with any interest on the tax, shall remain a lien until paid  
7 upon the entire real property by which the estate, income or  
8 interest is supported, or of which it is a part, and the lien  
9 shall be limited to the real property so transferred.

10 Section 2169. Purchaser, Mortgagee or Lessee.--Unless suit  
11 for collection of the taxes imposed by this article is  
12 instituted within twenty years after any tax becomes delinquent,  
13 the lien shall cease as to any purchaser, mortgagee or lessee of  
14 a devisee or heir of, or a beneficiary under a deed of trust of,  
15 the real property subject to the lien. Any time within the  
16 twenty-year period, if any tax on the real property is not paid,  
17 the department shall have power to file a certificate, under its  
18 seal, certifying to nonpayment which, when filed in the office  
19 of the clerk of the county where the real property is situated,  
20 shall continue the lien against decedent's real property for an  
21 additional period of five years from the date of the filing and  
22 the lien shall be indexed in the office of the clerk. If the  
23 taxes on the real property are not paid within the additional  
24 period of five years, the department shall have power to extend  
25 the lien for additional periods of five years by filing a  
26 certificate in the manner provided in this section.

27 Section 2170. Sale by Fiduciary.--If real property subject  
28 to the lien of taxes imposed by this article is sold or  
29 exchanged by a fiduciary who is subject to the jurisdiction of  
30 the court and who has given bond as required by 20 Pa.C.S.

1 (relating to decedents, estates and fiduciaries), or is a  
2 corporate fiduciary which need not file bond under 20 Pa.C.S.,  
3 the lien on the property sold shall cease.

4 Section 2171. Sale by Heir, Devisee or Fiduciary.--If real  
5 property subject to the lien of taxes imposed by this article is  
6 sold or exchanged or otherwise disposed of by an heir, devisee  
7 or fiduciary, and if the inheritance tax, together with  
8 interest, is paid on all property reported in the tax return,  
9 including the property sold, which property has been appraised  
10 and tax assessed, the lien of any unpaid tax imposed by this  
11 article shall cease as to the property sold.

12 Section 2172. Sale of Property Transferred Inter Vivos.--  
13 When real property or any income or interest in the real  
14 property or income has been transferred within the meaning of  
15 subsection (c) of section 2107 and the transferee has sold,  
16 mortgaged or leased the property or any income or interest in  
17 the property, the interest of a bona fide purchaser, mortgagee  
18 or lessee in the property shall not be subject to any lien for  
19 the taxes imposed by this article.

20 Section 2173. Subordination of Lien.--If real property  
21 subject to the lien is mortgaged or leased by a fiduciary who is  
22 subject to the jurisdiction of the court and who has given a  
23 bond as required by 20 Pa.C.S. (relating to decedents, estates  
24 and fiduciaries), or is a corporate fiduciary which need not  
25 file bond under 20 Pa.C.S., the lien shall become subject and  
26 subordinate to the rights and interests of the mortgagee, lessee  
27 or other person so secured.

28 Section 2174. Cessation Upon Approval of Bond.--Upon  
29 approval of a bond for the payment of taxes imposed upon a  
30 transfer, the lien upon the real property shall cease. The

1 amount of the bond shall not exceed the value of the real  
2 property transferred.

3 Section 2175. Release of Lien.--(a) In case of a transfer,  
4 other than by will or intestacy, the department, upon  
5 satisfactory proof that no taxes are due which would be a lien  
6 on the real property transferred by reason of the death of the  
7 transferor, may release all or any portion of the property from  
8 any lien imposed by this article to which the property otherwise  
9 might be subject.

10 (b) The department may, at any time, release all or any  
11 portion of the real property subject to any lien imposed by this  
12 article from such lien or subordinate such lien to other liens  
13 and encumbrances if it determines that the taxes are  
14 sufficiently secured by a lien on other property of the decedent  
15 or that the release or subordination of the lien will not  
16 endanger or jeopardize the collection of the taxes.

17 (c) When inheritance tax in respect to the transfer of  
18 particular real property is paid on the value of the property  
19 without diminution for any deductions authorized by this  
20 article, other than a mortgage on the property existing at the  
21 date of the decedent's death, the department, upon request of a  
22 party in interest, shall issue a certificate evidencing the  
23 release of the property from the lien of tax.

24 (d) A certificate by the department to the effect that any  
25 real property or interest in real property subject to any lien  
26 imposed by this article has been released from the lien, or that  
27 the lien has been subordinated to other liens and encumbrances,  
28 shall be conclusive evidence as to any bona fide purchaser,  
29 encumbrancer or lessee that the lien has been released or  
30 subordinated.

1 Section 2176. Enforcement Procedure.--(a) The court, at the  
2 request of the register, department or Office of Attorney  
3 General, shall issue a citation, directed to those liable for  
4 the payment of the taxes or subject to any other duty imposed by  
5 this article, commanding the person or persons to appear and  
6 show cause why the requirements of this article should not be  
7 met.

8 (b) The court may issue any decree warranted by the facts,  
9 according to equity.

10 (c) A citation to enforce payment of taxes due under this  
11 article or compliance with the duties required by this article  
12 shall be issued by the court upon application of the register,  
13 department or Office of Attorney General whenever any of the  
14 following occurs:

15 (1) A tax return is not filed within the time required by  
16 this article.

17 (2) Any tax due under this article remains delinquent.

18 (3) A Federal estate tax return has been filed but a copy of  
19 the return or a communication making a final change on the  
20 return has not been filed as required by section 2145.

21 (4) Any other duty imposed by this article remains  
22 unperformed.

23 (d) The register or department may issue subpoenas to compel  
24 the production of documents and the attendance of witnesses  
25 necessary for the administration of this article.

26 (e) Execution may be issued by the court against any real  
27 property in the decedent's estate on which a lien for the  
28 payment of the taxes imposed by this article exists or against  
29 any property belonging to a transferee liable for the tax.

30 (f) The department may bring suits in the courts of other



1 states to collect death taxes (including interest and penalties  
2 on the taxes) imposed by this article. An official of another  
3 state which extends a like comity to the Commonwealth may sue  
4 for the collection of death taxes (including interest and  
5 penalties on the taxes) in the courts of this Commonwealth. A  
6 certificate by the Secretary of State of another state, under  
7 the seal of that state, that an official has authority to  
8 collect its death taxes shall be conclusive evidence of the  
9 authority of the official in any suit for the collection of the  
10 taxes in any court of this Commonwealth.

## 11 PART X

### 12 REFUND OF TAX

13 Section 2181. Refund of Tax.--(a) A refund shall be made of  
14 any tax to which the Commonwealth is not rightfully or equitably  
15 entitled provided the Commonwealth determines the refund is due  
16 or application for refund is made within the appropriate time  
17 limit as set forth in subsection (d).

18 (b) Interest shall be paid on refundable tax at the same  
19 rate as the interest rate on deficiencies provided for in  
20 section 2143.

21 (c) Refund shall be made in cash to the party who paid the  
22 tax or to his assignee or as directed by the court.

23 (d) Application for refund of tax shall be made within three  
24 years after:

25 (1) the court has rescinded its order and adjudication of  
26 presumed death when the refund is claimed for tax paid on the  
27 transfer of the estate of a presumed decedent who is later  
28 determined to be alive;

29 (2) termination of litigation establishing a right to a  
30 refund; no application for refund shall be necessary when the

1 litigation has been with the Commonwealth over liability for the  
2 tax or the amount of tax due;

3 (3) it has been finally determined that the whole or any  
4 part of an alleged deficiency tax, asserted by the Federal  
5 Government beyond that admitted to be payable, and in  
6 consequence of which an estate tax was paid under section 2117  
7 was not payable;

8 (4) a final judgment holding that a provision of this  
9 article under which tax has been paid is unconstitutional or  
10 that the interpretation of a provision of this article under  
11 which tax has been paid was erroneous; or

12 (5) the date of payment, or the date of the notice of the  
13 assessment of the tax, or the date the tax becomes delinquent,  
14 whichever occurs later, in all other cases.

15 (e) An application for refund of tax shall be made to the  
16 department.

17 (e.1) A petition to review the decision and order of the  
18 department on a petition for refund may be made to the Board of  
19 Finance and Revenue under this article.

20 (f) The action of the Board of Finance and Revenue on all  
21 applications for refund of tax may be appealed as provided for  
22 in 42 Pa.C.S. § 933 (relating to appeals from government  
23 agencies).

24 (g) As much of the moneys received as payment of tax under  
25 this article as shall be necessary for the payment of the  
26 refunds provided for in this article with interest is  
27 appropriated for the payment of such refunds.

## 28 PART XI

### 29 DISPUTED TAX

30 Section 2186. Protest, Notice and Appeal.--(a) Any party in

1 interest, including the Commonwealth and the personal  
2 representative, not satisfied with the appraisement, the  
3 allowance or disallowance of deductions, the assessment of tax,  
4 or supplements or any other matter relating to any tax imposed  
5 by this article, within sixty days after receipt of notice of  
6 the action complained of may:

7 (1) file with the department a written protest, sending a  
8 copy thereof to the Office of Attorney General;

9 (2) notify the register in writing that he elects to have  
10 the correctness of the action complained of determined at the  
11 audit of the account of the personal representative; or

12 (3) appeal to the court to have the correctness of the  
13 action complained of determined at the audit of the account of  
14 the personal representative, or at a time the court shall fix.

15 The protest, notification or appeal shall specify all the  
16 objections to the action complained of. When the protest,  
17 notification or appeal is filed by the Commonwealth, a copy  
18 shall also be sent to the personal representative and to all  
19 other persons who filed a tax return.

20 (b) If a notification or appeal has been filed from an  
21 assessment of tax where it is contended that the rate of tax  
22 which will be applicable when a future interest vests in  
23 possession and enjoyment cannot presently be established with  
24 certainty and no compromise has been entered into pursuant to  
25 subsection (e) of section 2116, the court, after consideration  
26 of relevant actuarial factors, valuations and other pertinent  
27 circumstances, shall determine what portion of the transfer is  
28 to become taxed at each of the rates which might be applicable.

29 (c) Whenever any appeal or protest is brought pursuant to  
30 this part and the subject matter of the appeal concerns the

1 valuation of certain farmland as set forth in section 2122, the  
2 forum designated by the department to hear the appeal or protest  
3 shall include at least two farmers and the Secretary of  
4 Agriculture. The farmers and the Secretary of Agriculture shall  
5 be accorded full powers within the forum with full voting  
6 rights.

7 Section 2187. Bond.--No bond shall be required of any party  
8 in interest who files a protest or notification against, or  
9 appeals from, an appraisement, allowance or disallowance of a  
10 deduction, assessment of tax or supplements or other matter  
11 relating to the tax or from the decision of the department  
12 following a protest or who petitions for removal of the record  
13 to the court.

14 Section 2188. Appeal and Removal from Department.--(a) Any  
15 party in interest, including the Commonwealth and the personal  
16 representative, not satisfied with the decision of the  
17 department upon a protest may appeal from the department to the  
18 court within sixty days after receipt of notice of the entry of  
19 the decision of the department. When no decision has been  
20 rendered by the department within thirty days after the protest  
21 has been filed with the department, the court upon petition of  
22 any party in interest may direct the department to transmit the  
23 entire record to the court. When an appeal is taken from the  
24 decision of the department or the court directs the department  
25 to transmit the entire record to the court, the court shall  
26 either proceed to a determination of the issues protested to the  
27 department or suspend the determination until the audit of the  
28 account of the personal representative.

29 (b) If the appeal or removal arises from an assessment of  
30 tax where it is contended that the rate of tax which will be

1 applicable when a future interest vests in possession and  
2 enjoyment cannot presently be established with certainty, and no  
3 compromise has been entered into pursuant to subsection (e) of  
4 section 2116, the court after consideration of relevant  
5 actuarial factors, valuations and other pertinent circumstances  
6 shall determine what portion of the transfer is to become taxed  
7 at each of the rates which might be applicable.

## 8 PART XII

### 9 ENTRY INTO SAFE DEPOSIT BOX

10 Section 2191. Entry Prohibited.--Unless provided otherwise  
11 in this part, no person having actual knowledge of the death of  
12 a decedent shall enter a safe deposit box of the decedent. This  
13 part shall not be construed to confer upon any person any right  
14 of entry into a safe deposit box of a decedent which he does not  
15 otherwise have.

16 Section 2192. Entry Without Notice to Department.--(a) A  
17 safe deposit box of a decedent may be entered and any or all of  
18 the contents removed in the presence of an employe of the  
19 financial institution in which the box is located. The employe  
20 shall make, or cause to be made, a record of the contents of the  
21 box, which record he shall attest under penalty of perjury to be  
22 correct and complete. The financial institution may make a  
23 reasonable charge for the attendance of its employe at the entry  
24 of the box and the listing of the contents, which charge shall  
25 be deductible as an administration expense under subclause (1)  
26 of section 2127.

27 (b) A safe deposit box of a decedent may be entered and any  
28 or all of the contents removed in the presence of a  
29 representative of the department authorized by the secretary.  
30 The department shall authorize at least one such representative

1 in and for each county of this Commonwealth. The representative  
2 present at the time of entry into the box shall make or cause to  
3 be made a record of the contents of the box.

4 (c) The court for cause shown may order that a designated  
5 person or persons be permitted to enter a safe deposit box of a  
6 decedent and remove the contents described in the order, under  
7 supervision as the court may direct. The order may also require  
8 that a record be made of the contents of the box.

9 (d) Notwithstanding any of the provisions of this part, the  
10 department, at any time and without relation to the death of a  
11 specific decedent, by a certificate issued to a firm whose  
12 business requires ready access to safe deposit boxes, may issue  
13 a general authorization for the entry into, and removal of the  
14 contents of, a safe deposit box of a decedent, under terms and  
15 conditions as it may prescribe. A financial institution may  
16 permit such entry and removal upon presentation to it of such  
17 certificates issued by the department.

18 (e) Nothing in this part shall prohibit a financial  
19 institution from permitting entry into a safe deposit box of a  
20 decedent for the sole purpose of removing the decedent's will  
21 and evidence of ownership of the burial lot in which the  
22 decedent is to be interred. An employee of the financial  
23 institution must be present at the opening of the box and make  
24 or cause to be made a record of the documents removed from the  
25 safe deposit box during the entry and attest the record to be  
26 correct and complete under penalty of perjury.

27 Section 2193. Entry Upon Notice to Department.--(a) When  
28 entry into a safe deposit box of a decedent is not or cannot be  
29 made under the provisions of subsection (a), (b), (c) or (d) of  
30 section 2192, a safe deposit box of a decedent may be entered at

1 the time fixed in a notice mailed to the Department of Revenue,  
2 Harrisburg, Pennsylvania, and to the financial institution in  
3 which the box is located, in the manner specified in this  
4 section. The date fixed for entry and contained in the notice  
5 shall not be less than seven days after the date of notice is  
6 mailed. A representative of the department may be present at the  
7 time fixed for entry and may make or cause to be made a record  
8 of the contents of the box.

9 (b) The notice required under subsection (a) shall be  
10 delivered to the United States Postal Service for mailing in a  
11 manner that will provide for a record of the mailing being made  
12 by the United States Postal Service and a receipt being  
13 furnished to the sender. An exact copy of the notice shall be  
14 transmitted to the financial institution in which the box is  
15 located.

16 (c) At the time fixed in the notice required by subsection  
17 (a), although no representative of the department is present, it  
18 shall be lawful for a financial institution in which a safe  
19 deposit box of a decedent is located to permit, and it shall  
20 permit, entry into the box and removal of its contents by a  
21 person who furnishes a signed statement under penalty of perjury  
22 that he or someone in his behalf has given such notice.

23 Section 2194. Subsequent Entries.--Nothing in this part  
24 shall be construed to impose any restriction upon reentry into a  
25 safe deposit box of a decedent at any time subsequent to an  
26 entry made in accordance with any of the provisions of this part  
27 other than subsection (e) of section 2192.

28 Section 2195. Confidential Nature of Contents.--Any  
29 information gained from the contents of a safe deposit box of a  
30 decedent by a person whose attendance at the entry into the box

1 was required by this part shall be confidential and shall not be  
2 disclosed for other than official purposes to collect the taxes  
3 imposed by this article.

4 Section 2196. Penalties.--(a) Any employe of a financial  
5 institution in which the safe deposit box of a decedent is  
6 located who, having actual knowledge of the death of the  
7 decedent, enters or permits the entry by any person into a safe  
8 deposit box of the decedent in violation of the provisions of  
9 this part commits a misdemeanor of the third degree.

10 (b) Any person, other than an employe of a financial  
11 institution in which the safe deposit box of a decedent is  
12 located, who, having actual knowledge of the death of a  
13 decedent, enters a safe deposit box of the decedent in violation  
14 of the provisions of this part commits a misdemeanor of the  
15 third degree.

16 (c) Any person who violates the provisions of section 2195  
17 commits a misdemeanor of the third degree.]

18 Section 2. Sections 2702(c) and 2901(b) of the act are  
19 amended to read:

20 Section 2702. Petition for reassessment.

21 \* \* \*

22 [(c) Application to inheritance and estate taxes.--This  
23 section shall not apply to the taxes imposed by Article XXI.  
24 Part XI of Article XXI shall provide the exclusive procedure for  
25 protesting the appraisal and assessment of taxes imposed by  
26 Article XXI.]

27 Section 2901. Taxability of Government Obligations.--\* \* \*

28 [(b) Government obligations described in subsection (a)  
29 shall continue to be subject to inheritance and estate taxes  
30 imposed by Article XXI.]



1       \* \* \*

2       Section 3. The amendment or repeal of Article XXI and  
3 sections 2702(c) and 2901(b) of the act shall apply to  
4 inheritance tax imposed as to a decedent whose date of death is  
5 after the effective date of this section.

6       Section 4. This act shall take effect in 60 days.