

INDIANA INHERITANCE TAX FAQ

CLASSES OF TRANSFEREES/EXEMPTIONS/TAX RATES

What are the classes of transferees and their personal exemption amounts?

Indiana's inheritance tax is not a tax on the property of a decedent, but on the right to succeed to the decedent's property interests. The Tax is imposed as a result of transfers and the exemption amount depends upon the relationship of the transferee to the decedent. There are Class A, Class B, and Class C transferees (Ind. Code § 6-4,1-1-3).

Class A Transferees of a Transferor:

- Lineal ancestor
- Lineal descendant
- Stepchild (whether adopted or not)
- Lineal descendant of a stepchild (whether the stepchild is adopted or not)
- Lineal descendant of an in loco parentis child of the decedent if the in loco parentis relationship began before the child's 15th birthday and continued for at least 10 years before the decedent's death (Ind. Code §6-4.1-1-3(e))

The exemption amount for a Class A transferee is \$100,000.

Class B Transferees of a transferor:

- Brother or sister
- Descendant of a brother or sister (i.e., niece or nephew)
- Spouse, widow, or widower of a child (i.e., son- or daughter-in-law)

Class C Transferees of a transferor:

- is anyone else (except a surviving spouse, charity or cemetery association) who is not a Class A or B transferee.

The exemption amount for a Class C transferee is \$100.

What are the current tax rates for Indiana resident and nonresident decedents?

The net taxable value of property interests transferred by a decedent is determined by taking the total fair market value of the property interests transferred by a decedent to a particular transferee subtracted by the exemptions and allowable deductions. The tax rates are progressive.

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The tax rates for a Class A transferee are:

Not Taxable Value of Property Transferred	Inheritance Tax
Up to \$25,000.....	1%
\$25,001 - \$50,000.....	\$250 plus 2% of amount over \$25,000
\$50,001 - \$200,000.....	\$750 plus 3% of amount over \$50,000
\$200,001 - \$300,000.....	\$5,250 plus 4% of amount over \$200,000
\$300,001 - \$500,000.....	\$9,250 plus 5% of amount over \$300,000
\$500,001 - \$700,000.....	\$19,250 plus 6% of amount over \$500,000
\$700,001 - \$1,500,000.....	\$31,250 plus 7% of amount over \$700,000
\$1,000,001 - \$1,500,000.....	\$52,250 plus 8% of amount over \$1,000,000
Over \$1,500,000.....	\$92,250 plus 10% of amount over \$1,500,000

The tax rates for a Class B transferee are:

Not Taxable Value of Property Transferred	Inheritance Tax
Up to \$100,000	7%
\$100,001 - \$500,000	\$7,000 plus 10% of amount over \$100,000
\$500,001 - \$1,000,000	\$47,000 plus 12% of amount over \$500,000
Over \$1,000,000	\$107,000 plus 15% of amount over \$1,000,000

The tax rates for a Class C transferee are:

Not taxable Value of Property Transferred	Inheritance Tax
Up to \$100,000.....	10%
\$100,001 - \$1,000,000.....	\$10,000 plus 15% of amount over \$100,000
Over \$1,000,000.....	\$145,000 plus 20% of amount over \$1,000,000

Ind. Code §6-4.1-5-1

ADOPTED CHILD

What class is an adopted child?

A legally adopted child is to be treated as if the child were the natural child of the child's adopting parent (i.e., a Class A transferee) if the adoption occurred before the person was totally emancipated. However, if the adoption was finalized before July 1, 2004, a person adopted after being totally emancipated is to be treated as the natural child of the adopting parent (i.e., a Class A transferee) (Ind. Code §6-4.1-1-3).