

Estate taxes in Ohio: More good news

When Governor John Kasich signed Amended Substitute House Bill 153 on June 30, 2011, Ohio taxpayers received the second piece of good news regarding estate taxes in less than seven months. In December 2010, the federal estate and gift tax exemptions were increased to \$5 million until at least the end of 2012 and now, as of December 31, 2012, the Ohio estate tax will be repealed.

The Ohio estate tax, which is a tax independent of the federal estate tax (unlike most other states), has a maximum rate of 7 percent and an exemption amount of \$338,333—one of the lowest exemptions of any state. Eighty percent of the tax owed is returned to the local government where the decedent was a resident, with the remaining 20 percent passing to the state.

Many estate plans we have drafted have provisions that allow the executor to make decisions to reduce or defer the tax until the death of the second spouse. Those provisions will be superfluous for dates of death beginning January 1, 2013. In a typical plan, it will not be necessary to remove those provisions.

In addition to eliminating the tax for anyone with an estate in excess of the exemption amount, the other major benefit of the law appears to be for individuals with residences in multiple states, including Ohio. While some Ohio residents may not have wanted to change their state of residence, in many instances it has been beneficial for an individual to choose a state other than Ohio as their residence state in order to avoid the Ohio estate tax at death. The repeal of the tax after 2012 will eliminate the estate tax as an issue although an evaluation of income tax laws is still important.

For most of our clients, we do not believe the repeal of the Ohio estate tax requires any immediate changes to estate plans. It will not change our general planning techniques for the next 18 months. At that point, if there are no additional changes, we will eliminate certain superfluous provisions currently found in many of the trusts we draft. We continue to believe, because of the changes to both the federal and Ohio laws, it is prudent to discuss these changes with your estate planning counsel.

If you have any questions about the repeal of the estate tax or any other questions related to your estate plan, please contact any of the members of our Estate Planning Department.

For more information, please contact:

Jeffrey P. Consolo
216.348.5805
jconsolo@mcdonaldhopkins.com

or any of the estate planning attorneys at McDonald Hopkins by clicking on the Estate Planning link below:

Estate Planning

Our estate planning and probate services for individuals and families are focused on helping clients meet their estate planning objectives through income, estate and gift tax minimization. Our services include preparation of wills, living trusts, financial powers of attorney, charitable trusts, and related documents. We take a comprehensive approach to the planning process to ensure that the goals of the family are carried out and that the estate is appropriately managed.