

Instructions for Completing Indiana Inheritance Tax Return for Nonresident Decedent

This form does not need to be completed for those individuals dying after Dec. 31, 2012. For those individuals dying before Jan. 1, 2013, this form may need to be completed.

Property Subject to Taxation

Indiana's Inheritance Tax is imposed on transfers of real property and tangible personal property that is located within Indiana when the decedent/owner is not domiciled in Indiana. The transfer of intangible property interests is not subject to tax for nonresidents.

Who Must File

The personal representative of the estate of a nonresident must file the Indiana Inheritance Tax Return for a Nonresident Decedent (Form IH-12). If there is no personal representative, one of the following must file: an heir, a trustee, a joint owner, or another transferee. No filing is required if the total fair market value of the property interests transferred by the decedent to each transferee under a taxable transfer(s) is less than the exemption provided to each transferee. Only one return should be filed per decedent.

When to Use This Form

Use this form only if the decedent was not a resident of Indiana at the time of death. For a resident decedent, use Form IH-6 found at www.in.gov/dor/3509.htm or contact the Indiana Department of Revenue, Inheritance Tax, Indiana Government Center North, 100 North Senate Ave., Room N248, Mail Stop #102, Indianapolis, Indiana 46204, or call (317) 232-2154 for a copy of Form IH-6.

When to File This Form

This form must be filed within 9 months of the date of death. If the IRS allows an extension to file a federal estate tax return (Form 706), the corresponding due date for filing Form IH-12 is automatically extended for the same period of time. However, an extension will not stop the accrual of interest for late payment of the tax.

Where to File This Form

Form IH-12 must be filed with the Indiana Department of Revenue, Inheritance Tax, Indiana Government Center North, 100 North Senate Ave., Room N248, Mail Stop #102, Indianapolis, Indiana 46204. Do not file Form IH-12 with an Indiana court having probate jurisdiction.

Payment

The nonresident inheritance tax must be paid to the Indiana Department of Revenue, Inheritance Tax, Indiana Government Center North, 100 North Senate Ave., Room N248, Mail Stop #102, Indianapolis, Indiana, 46204. Payments made within 9 months of decedent's date of death receive a 5% discount. Payments made more than 1 year after the date of death accrue interest at 10% per year from the date of death until the date of the payment. If the Department of Revenue determines that, due to an unavoidable delay, the tax cannot be determined within 12 months, the department may reduce the interest rate to 6%.

Transferee Classes, Exemptions, and Tax Rates

Indiana's Inheritance Tax is imposed on the transfer of ownership interests of a decedent. The tax is based upon the value of ownership interests transferred to each transferee and the relationship of the transferee to the decedent. The three classes of transferees have different exemption amounts and graduated tax rates for each class.

For dates of death after July 1, 1997, but before Jan. 1, 2012, the following classes and exemptions apply:

Surviving spouse and charitable organizations are 100% exempt.

- Class A**
Parents, children, grandparents, grandchildren, and other lineal ancestors and lineal descendants and persons legally adopted before emancipation **\$100,000**
*For deaths after June 30, 2004, stepchildren are Class A.
*For adoptions completed before July 1, 2004, adopted persons adopted after emancipation are Class A .
- Class B**
Brothers, sisters, lineal descendants of brothers or sisters, daughters-in-law, and sons-in-law **\$500**
- Class C**
Anyone not listed above including but not limited to aunts, uncles, cousins, friends, nieces, and nephews by marriage **\$100**

For dates of death after Dec. 31, 2011, the following classes and exemptions apply:

- Surviving spouse and charitable organizations are 100% exempt.
- Class A**
Parents, children, stepchildren, spouse, widow, widower of a child or stepchild (sons-in-law or daughters-in-law), grandparents, grandchildren, other lineal ancestors and lineal descendants, and children adopted prior to emancipation **\$250,000**
- Class B**
Brothers, sisters, and lineal descendants of brothers or sisters (blood nieces and nephews) **\$500**
- Class C**
Anyone not listed above including but not limited to aunts, uncles, cousins, friends, nieces, and nephews by marriage **\$100**

The inheritance tax rates for each class are:

Class A

Net Taxable Value of Property Interests Transferred	Inheritance Tax
\$25,000 or less	1% of net taxable value
Over \$25,000 but not over \$50,000	\$250 plus 2% of net taxable value over \$25,000
Over \$50,000 but not over \$200,000	\$750 plus 3% of net taxable value over \$50,000
Over \$200,000 but not over \$300,000	\$5,250 plus 4% of net taxable value over \$200,000
Over \$300,000 but not over \$500,000	\$9,250 plus 5% of net taxable value over \$300,000
Over \$500,000 but not over \$700,000	\$19,250 plus 6% of net taxable value over \$500,000
Over \$700,000 but not over \$1,000,000	\$31,250 plus 7% of net taxable value over \$700,000
Over \$1,000,000 but not over \$1,500,000	\$52,250 plus 8% of net taxable value over \$1,000,000
Over \$1,500,000	\$92,250 plus 10% of net taxable value over \$1,500,000

Class B

Net Taxable Value of Property Interests Transferred	Inheritance Tax
\$100,000 or less	7% of net taxable value
Over \$100,000 but not over \$500,000	\$7,000 plus 10% of net taxable value over \$100,000
Over \$500,000 but not over \$1,000,000	\$47,000 plus 12% of net taxable value over \$500,000
Over \$1,000,000	\$107,000 plus 15% of net taxable value over \$1,000,000

Class C

Net Taxable Value of Property Interests Transferred	Inheritance Tax
\$100,000 or less	10% of net taxable value
Over \$100,000 but not over \$1,000,000	\$10,000 plus 15% of net taxable value over \$100,000
Over \$1,000,000	\$145,000 plus 20% of net taxable value over \$1,000,000

General Instructions

Indicate the nonresident decedent’s date of death in box 3, and place the decedent’s Social Security number in box 5.

If the decedent died testate, attach a copy of the will to the return. If the decedent died intestate, check the box in item 7.

Even if no U.S. Estate Tax Return (Form 706) is required to be filed, you must check the appropriate box in item 11. Even if you file a Form 706 with the IRS, you are still required to file a copy with the Indiana Department of Revenue.

Schedule A, Real Estate

List every parcel of Indiana real property in which the decedent had any right, title, or interest at the time of death and that was transferred at death by will or by intestate succession. Include real property that the decedent was buying on contract at the time of death. Do not include real property held jointly with rights of survivorship with one or more persons, real property held by the entirety, real property held in a trust, or real property that the decedent was selling on contract on this page because it will be reported on Schedule C.

Describe the property in enough detail so that it can be identified for valuation. Example: If the will refers to the property as “the Smith Farm,” that land should be listed as “the Smith Farm” followed by its legal description on Schedule A. If the real property is transferred in two or more parcels to different transferees, each parcel should be separately valued on this schedule. To assist in auditing the return, include the parcel number along with the real estate description and address.

Schedule B, Tangible Personal Property

All tangible personal property owned individually by the decedent that was physically located in Indiana at the time of the decedent’s death and that is transferred by will or intestate succession at death is listed here, including but not limited to:

- Household goods
- Automobiles
- Works of art
- Books
- Silverware
- Growing crops
- Clothing
- Jewelry
- Boats
- Livestock
- Farm machinery
- Crops in storage

This schedule does not include tangible personal property that the decedent owned jointly or that was transferred by some means other than by will or by intestate succession. Such tangible personal property should be listed on Schedule C.

Schedule C, Transfers During Decedent’s Life

Any transfer of Indiana real property and tangible personal property located in Indiana by the decedent to a transferee that is completed at death and is not transferred by will or by intestate succession should be listed on this schedule:

1. **Trust**
Indiana real property and tangible personal property located in Indiana that the decedent transferred into a trust prior

to death may be subject to the Indiana Inheritance Tax. List every real property parcel and tangible personal property located in Indiana of the decedent's trust on this schedule, but do not list out-of-state real property. These assets are to be valued at their fair market values on the date of the decedent's death or on the alternative valuation date if properly elected on the Form 706 and accepted by the IRS. Include a copy of the instrument creating the trust with the return.

2. **Transfers in Contemplation of Death**

List all transfers of Indiana real property or tangible personal property located in Indiana that the decedent made by deed, gift, or bargain sale in contemplation of death. Also list all transfers made by the decedent within one year prior to death. Indicate the date of each transfer, the name of each transferee, the type of property interest transferred, and the fair market value of the property interest transferred as of the date of transfer.

Transfers within the year preceding death are presumed to have been made in contemplation of the death. However, this presumption is rebuttable. To rebut the presumption, set forth all facts necessary for a proper determination of the taxability of such transfers. Include supporting documents with the return. See 45 Ind. Admin. Code 4.1-2-6.

3. **Transfers Intended to Take Effect in Possession or Enjoyment at or after Death**

List all Indiana real property and tangible personal property located in Indiana transferred by the decedent for less than full consideration if the transferee did not receive full possession and enjoyment of such property until at or after the decedent's death. This includes property the decedent transferred subject to a retained life estate. You must value such property at full fair market value at the time of the decedent's death. Example: John deeds his farm to Mary and Sam in 1970, retaining a life estate in the farm. In 2012, when John dies, the full fair market value of the farm is included in John's estate for inheritance tax purposes.

4. **Joint Tenancies with Rights of Survivorship**

All Indiana real property or tangible personal property located in Indiana in which the decedent held an interest at the time of death as a joint tenant with rights of survivorship must be entered on this schedule. Describe the joint property and list the names of the surviving joint tenants.

Include the full fair market value of the jointly owned property on Schedule C. If you believe that less than the full value of the entire property is includible for tax purposes, you must establish your right to exclude part of the value. Enclose any documentation that substantiates the use of the lesser value with the return.

Schedule D, Deductions and Recapitulation

All necessary costs of administering the estate involving the transfer of Indiana real property and tangible personal property located in Indiana may be deducted from the value of property interests transferred by the decedent by will, by intestate law, or by trust.

The following items, and no others, may be deductible:

- Reasonable attorney fees, personal representative fees, and trustee fees for administration of Indiana property subject to Indiana Inheritance Tax
- Taxes on the decedent's real property that is subject to the Indiana Inheritance Tax, if the taxes were a lien on the real property at the time of the decedent's death
- Taxes on the decedent's tangible personal property located in Indiana that is subject to the Indiana Inheritance Tax if such taxes were due and owing at the time of the decedent's death
- Valid liens against Indiana real property and tangible personal property located in Indiana that is subject to Indiana Inheritance Tax
- Valid claims against the decedent's domiciliary estate (estate is opened in the state where the decedent was living at the time of death) that will not be paid by the domiciliary estate because it is exhausted
- Selling expenses when the property is actually sold during the administration of the estate

Nondeductible items include, but are not limited to, the following:

- Decedent's funeral expenses
- Fiduciary income taxes
- Funeral flowers
- Federal estate tax
- Estimated selling expenses of unsold real estate
- Expenses connected with property not subject to Indiana Inheritance Tax
- Funeral dinners
- Traveling expenses for beneficiaries, or others, to attend the decedent's funeral
- Indiana Inheritance Tax incurred as a result of a decedent's death

In the recapitulation section, list the individual totals from Schedules A, B, and C and total all of the taxable assets. List the total deductions from Schedule D. Subtract the total deductions from the total taxable assets, and enter the total taxable estate.

Schedule E, Persons Beneficially Interested in This Estate and Inheritance Tax Computation

List all persons, including corporations and other organizations, receiving an interest from the decedent no matter how the transfer took place. Also list the current address of each transferee. If the space provided is not adequate to list all transferees, attach additional pages immediately after this page.

For individuals dying after June 30, 2012, a transfer to a partnership, a limited partnership, a limited liability partnership, an association, a corporation, a limited liability company, a trust, or a similar entity will be considered a transfer to each individual with a beneficial (whether discretionary or not) or ownership interest in the entity. Each individual is liable for a percentage of taxes imposed equal to that individual's beneficial or ownership interest in that entity. List the name and address of the entity and each beneficiary or owner of the entity and their respective percentage of beneficial or ownership interest in the entity. Please contact a professional who is familiar with inheritance tax matters or the department's Inheritance Tax Division for clarification on the taxation of transfers to such entities.

List the relationship of the transferee to the decedent. Include enough information to determine the class to which the beneficiary belongs. For example: Lisa Smith, niece, daughter of decedent's brother. Also list the entire birth date of each transferee. Failure to completely describe the relationship or to list the birth dates can significantly slow the audit of the return.

When stating the value of property transferred to each transferee is to receive, list the total value of the property interests transferred to each transferee. The amount of each transferee's exemption is determined by the relationship of that transferee to the decedent.

Under the exemption columns, enter the appropriate exemption amount based on the class of each transferee of the decedent's interests in real and tangible property.

Enter in the final column the amount of inheritance tax due for each transferee. Compute the amount of tax due for each transferee by multiplying that transferee's net taxable interest (i.e., the total value of interest minus the applicable exemption) by the appropriate tax rate.

Additional Requirements

1. QTIP Election

If you elect to treat property passing from the decedent as property transferred directly to the surviving spouse for Indiana Inheritance Tax purposes, the election must be made in writing and enclosed with the original return. Electing on the U.S. Estate Tax Return (Form 706) is not an election for Indiana on this return. See 45 Ind. Admin. Code 4.1-3-5(b) for an acceptable form for the Indiana QTIP election. Once made, the QTIP election is irrevocable.

2. Supplemental Documents

When filing the return, enclose all supplemental documents used to substantiate the statements contained in the return. Examples include appraisals, trusts, affidavits, disclaimers, elections, death certificates, and all other documents necessary to complete the audit of the return.

3. Power of Attorney

If the preparer is not a lawyer or transferee of the decedent's estate and the personal representative wants the department to disclose information to the preparer, a completed Form IH-28, power of attorney, must be provided with Form IH-12.

4. Dollar Amounts

Dollar amounts may be rounded to the nearest dollar.

5. Fair Market Value

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

6. Additional Pages

If there is not enough space available on any page, continue the list on an additional page and enclose it immediately after such page.