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ELIMINATING THE DEATH TAX

Creating Another Incentive to Preserve Farmland

Pennsylvania levies an inheritance tax, which is a tax paid by the personal representative of a decedent's estate or by the transferee. The inheritance tax is imposed on the value of the decedent's estate transferred to beneficiaries by will or intestacy.

Inheritance tax is calculated at a percentage of the value of the assets transferred which is determined by the relationship of the heir to the decedent and the decedent's date of death. For dates of death on or after July 1, 2000, the tax rate for Pennsylvania Inheritance Tax is 4.5 percent for transfers to direct descendants (lineal heirs), 12 percent for transfers to siblings, and 15 percent for transfers to other heirs (except charitable organizations, exempt institutions, and government entities). Property owned jointly between husband and wife is exempt from Inheritance Tax, while property inherited from a spouse, or from a child twenty-one or younger by a parent is taxed at a rate of 0 percent.

As a further incentive to participate in the Commonwealth's farmland preservation program, Senator Robert J. Thompson has proposed Senate Bill 252, which statutorily sets the value of realty which is part of an agricultural conservation easement at one dollar (\$1.00) per acre for the purposes of applying the inheritance tax rate.

Creating additional financial opportunities for farmland to be preserved is a laudable goal. Senate Bill 252 provides another enticement for farmers to preserve their land while at the same time, the legislation nearly eliminates a tax which creates additional financial hardships for individuals who inherit preserved farmland. Removing financial obstacles for production agriculture is just as effective as creating financial incentives to farm – Senate Bill 252 accomplishes both these goals.

Finding new ways to encourage farmland preservation, such as what Senate Bill 252 proposes, will enable the Commonwealth to remain the leader among the states in ensuring that farmland will continue in production and that farmers can plan a sound financial future in their efforts to keep active and sustainable farming operations.