

# Inheritance Tax

## IN REAL ESTATE

If a real estate transaction involves a deceased individual's estate, a transfer of property between family or a life estate, the real estate settlement company will collect an escrow for inheritance tax. An inheritance tax is a percentage of the property sale that will vary depending on the relationship of the transferees. A bank account must also be created on behalf of the estate for the funds to be deposited. **Please note that the escrow funds will be payable to the estate so do NOT close the estate bank account until this has been resolved.**

### Common Situations Involving Inheritance Tax

- An individual has passed and an estate was opened to manage the sale of their property
- A parent transfers a property to their child and included a clause in the deed stating they will continue to reside at the property until death. This is known as a **Life Estate**.
- A parent transfers a property to their child and passes away within a year of the deed being transferred

### Inheritance Tax Percentages

- If the real estate transaction is linear (i.e., the transfer of property from parent to child or grandparent to grandchild), Universal will hold 6% of the purchase price in escrow.
- If the transfer is from sibling to sibling, Universal will hold 15% of the purchase price in escrow.
- If the transfer is from the estate to a person not related to the deceased individual the estate was created for, Universal will hold 18% of the purchase price in escrow.

### Release of Escrow Funds

Universal will hold a percentage more than what is owed in escrow, in the event the Department of Revenue determines the percentage is different. Please note: Universal cannot release the escrow funds to the estate or attorney managing the estate until the inheritance tax is paid and we receive notice from the Department of Revenue stating the inheritance tax return has been filed. We can also pay the funds directly to the Register of Wills if previously agreed upon.

The REV-1500 form must be emailed, mailed, or delivered in person to our office by the individual handling the estate as soon as they receive it. This form must include the property that was sold and that the tax return was accepted by the state. **Universal will release escrow funds to the estate bank account once we receive confirmation that the inheritance tax has been paid.**

**The estate has up to nine months after settlement to pay the inheritance tax. If we do not receive confirmation from the seller that the inheritance tax was paid, Universal will cut a check to the Register of Wills office and the seller will be required to reach out to the state to receive any excess funds.**



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