



**House
Legislative
Analysis
Section**

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ESTATE TAX APPORTIONMENT

**House Bill 4998 with committee
amendment
First Analysis (9-23-93)**

**Sponsor: Rep. Willis Bullard, Jr.
Committee: Taxation**

THE APPARENT PROBLEM:

Public Act 54 of 1993 (House Bill 4597) repealed the state's inheritance tax and replaced it with a new Michigan Estate Tax Act. The new death tax is known as a "pickup tax" and sets the state tax at the maximum allowable credit under federal tax law for state death taxes. The new tax applies to the estates of those dying after September 30, 1993. The old inheritance tax was a tax on beneficiaries rather than on the estates of decedents. The new act specifies that the tax due is to be apportioned as provided by the Uniform Estate Tax Apportionment Act. However, the apportionment act was not amended at the same time to refer to the new estate tax. This needs to be done, say estate law specialists, so that there is clear guidance which share of an estate is to pay the taxes due.

THE CONTENT OF THE BILL:

The bill would amend the Uniform Estate Tax Apportionment Act, effective October 1, 1993, to include under the definition of "tax" the new estate tax created by the Michigan Estate Tax Act. (The effect, say estate tax specialists, will be that the state estate tax will be apportioned among beneficiaries in the same manner as the federal estate tax. Generally speaking, except for charities and surviving spouses, beneficiaries would pay the tax in proportion to the share of assets generating the tax.)

MCL 720.11

FISCAL IMPLICATIONS:

A representative of the probate and estate planning lawyers points out that the bill would not affect tax rates; it deals with tax administration.

ARGUMENTS:

For:

The bill provides in statute a method of apportioning the newly created state estate tax. When the new act was passed, it included a provision specifying that the tax would be apportioned pursuant to the Uniform Estate Tax Apportionment Act, but the complementary amendment to the apportionment act has yet to be made. This bill would do that. The bill would not represent a change in tax apportionment or in tax rates.

POSITIONS:

The Probate and Estate Planning Section of the State Bar of Michigan supports the bill. (9-15-93)