

Chairman Paul May called the meeting to order at 2:30 p.m. with the following members and guests present:

PRESENT: Mr. May  
Mr. Coulter  
Mr. Brady  
Mrs. Cafferata  
Mr. Craddock  
Mr. Marvel  
Mr. Price  
Mr. Rusk  
Mr. Stewart  
Mrs. Westall

ABSENT/EXCUSED: Mr. Bergevin

Please see attached guest register for guests present.

S.B. 7 - Limits designation of county assessors as agents of department of motor vehicles.

Chairman May explained to those present that there are amendments coming on S.B. 7 after it had been passed out of this committee, therefore it has been re-referred back to Taxation Committee and will be heard again when the amendments have been made available.

SJR 6 of the 60th Session - Proposes to amend Nevada constitution to allow imposition of estate tax not greater than credit allowable under federal law.

Chairman May read a personal statement to the committee members in which he explained that due to his feelings on the subject resolution, he would prefer to abstain from participation in the discussion or the vote. He then turned the gavel over to Vice Chairman Coulter and asked that he conduct the remainder of the meeting.

Acting Chairman Coulter asked for testimony from the audience on SJR 6 of the 60th Session.

Mr. Jerry Higgins, with the Gaming Industry Association, introduced Mr. Steven Jensen, Attorney on the Estate Tax with the Internal Revenue Service. Mr. Jensen, distributed some statistical data, identified as Exhibit I attached. He went over the report item by item and indicated that the allowable state credit on the present returns would be \$12,666,927 from a total of 274 returns filed in 1980. Their office currently has 64 state returns which are currently being audited; you could increase the return amount of \$12,666,927 by 40% on those returns that have not been audited to date. In response to a question by Mr. Price, Mr. Jensen stated that there is a

unified credit that encompasses the gift tax too; so if you have used up part of your gift tax, you would have a lower estate tax because you would not have an off-setting credit. The credit as it stands in 1981 is \$47,000 which has a corresponding taxable estate of roughly \$170,000 to \$180,000; Nevada is a community property state, so you would double that for a husband and wife. That is, the wife owns one-half of the estate and the husband owns one-half, so they would each have that \$180,000 figure. It doesn't make any difference which spouse dies first; if the first one dies and has a \$180,000 estate amount then the tax would be off-set by the credit; if they left it to the surviving spouse, it would be tacked on to the estate of the surviving spouse and now there would be a taxable estate because you would have the total assets. If the husband and wife would have net assets of \$360,000 for example, then when the first one dies, that would be taxed at \$180,000 for federal purposes because the other half belongs to the surviving spouse. If the deceased spouse left it to the surviving spouse, then it would be added to the estate and you would reach a taxable point but if the first spouse left their assets to children, charity, etc., then it would never be tacked on.

Mrs. Cafferata asked if the wife gets \$180,000, then she dies, what happens to her \$180,000, is it taxed again? Mr. Jensen said if the husband dies first and leaves that \$180,000 to his wife, that would be added to her assets and she would now have \$360,000 worth of assets. There would, however, be a phase-in credit of ten years; anytime you die within ten years, any tax paid in a previous estate, where the assets went to you, there is a phase-in credit for the first two years of 100% then 80%, then 60% and so on down. You are taxed but you would have an off-setting prior transfer credit, assuming there was tax paid.

Mr. Craddock pointed out that anything we do on the local level would have no affect on the IRS rulings; this was concurred in by Mr. Jensen who added that the only effect that would have is the IRS would have less revenue. He called attention to the hand-out in which that is broken down into categories by gross estate. That's the total assets i.e., whatever debts, mortgages and charitable requests used to arrive at your taxable estate. He discussed several of the examples contained in the Exhibit and emphasized, in response to a question by Mrs. Cafferata, that this would not cost the estate any more, it would simply mean that the state of Nevada would receive some of the money rather than the federal government keeping the total amount. The only time it would cost more to the taxpayer is in states where you have an estate tax that is not based on the federal credit; the purpose of this bill would be just to pick up what the Federal Government would allow. That is based on a formula, or rate schedule. He then addressed the enforcement issue of this resolution and has included a sample of the Estate Tax Closing Letter used. He explained that the state would have to get a formal agree-

ment between the state and the Federal Government and then the Feds will furnish a copy of this letter to the state. At the bottom of the form there is a section for the "Credit For State Death Taxes" and the state would receive a copy of each of those filed which would state exactly what credit they would allow.

Mr. Craddock asked if there would be much administrative cost to this and was advised by Mr. Jensen that he could foresee no appreciable amount as they would be doing the audit function so we would need possibly a little clerical staff.

Mr. Coulter asked why the Federal Government would want to give that tax credit back to the state, and was advised by Mr. Jensen it is provided statutorily that the credit is allowable.

Mr. Price pointed out that we are looking for increased revenue for Nevada and this would amount to about \$12 million coming back; how does the state physically get the money? Mr. Jensen corrected the figure given by Mr. Price, stating that the \$12 million is on the estates they are auditing, but the projected figure is closer to \$17 million to \$18 million on the ones filed. The Federal Government does no collection of this money but they like to have an agreement with the state in effect because it saves them the problem of verifying the payment. As it stands now, the tax payer would file his federal return and take the credit. The IRS would have to have evidence that he has paid it to the state but they would not collect it for us. The executor of the estate would make out a separate check payable to the State of Nevada for the amount of the tax credit so it is not money that flows back from Washington. The IRS would take the return which would have the state credit on and they would verify that it has been paid and if it hasn't, they would disallow it and pick up the tax.

Mr. Price stated that that is probably what creates the confusion in some people's minds when they feel the state is enacting an inheritance tax because, in fact, the check and the money does flow directly from the person's estate to the state of Nevada.

Addressing the issue of trying to derive revenues for the Distributive School Fund, Mr. Price asked if there would be any problem with the state using that projected \$17 million for that fund - that is funding for the schools. Mr. Jensen stated he could see no problem; it is state money and we would be allowed to do anything we want with it. Mr. Price then asked if there would be any problem with placing that money into the General Fund and then not increasing the tax on gaming or some other tax that we would not have to increase.

Mr. Jensen reiterated that the credit is allowable by statute and they do not care what purpose it is used for.

Mr. Price explained that when he requested drafting of AJR 38, his intention was to compensate by returning that money to the heirs of estates and the IRS indicated that was not the proper thing for the state to do. He hears now that it is O.K. if we use it for the schools, or if we don't increase someone else's taxes; he asked what the problem would be if we try to offset this money by trying to find some way of trying to benefit the heirs of the estate. Mr. Jensen stated he was speaking unofficially as that would have to be a national office ruling, but he feels that it would be because that money would not actually be going to the state. He added that you would be singling out one tax payer rather than benefiting the entire populace of the state.

Mrs. Westall then asked if there was a minimum amount where they would not have to pay a tax - say \$300,000 and under. She was advised by Mr. Jensen that the unified credit is \$47,000 and the minimum size of an estate for filing is the correlation of that into what a taxable estate would be which, as close as he could recall, would be approximately \$170,000. In response to several questions by Mrs. Westall, Mr. Jensen explained that this figure included the home and all assets; that the Reno District covers the total state and that the projected figures he has given that would accrue to Nevada is less than a normal year, it is generally much larger than this.

Mrs. Cafferata advised the committee that she understands Senator Sims introduced a bill which would eliminate the federal inheritance tax and a hearing has been held on it. The Cabinet Secretary of the Treasury announced that President Reagan's proposal was to raise the limits of deductions and phase out this tax.

Mr. Price asked if there was any mechanism that could be enacted by a state that would give the heirs of an estate a choice of whether to mark off for the estate tax or not. If we pass this constitutional amendment allowing for the federal pick up, then would every estate have to write that check to the State of Nevada for the federal pick up or could they leave it with the Feds? Mr. Jensen explained that from their enforcement policy, it wouldn't make any difference to them if they didn't pay it, they would not allow it and the IRS would pick it up. He added they do that in some states as some states have a pick up or inheritance tax but they are very lax in enforcing it so they require evidence of payment. If payment is not made to the state, or county, then they do not allow the credit and they pick it up as an increased federal tax.

Mr. Price then asked if there might be some mechanism where we could make that an actual and legal choice that the executor could make? He added that he would like to see the state pick up \$17,000,000 and he understands that Mr. Jensen is only testifying to the facts, but he has a real problem with the state taking the money, even though the Federal Government does. If there were a choice to be made by the executor or the heirs, he would feel a little better about it if they could indicate they would want the money going to the state or to the Federal Government and asked if we could make it optional? Mr. Jensen explained that he felt whatever law we enact the IRS will allow; if the state doesn't collect it, the IRS will pick it up themselves but either way, it will be the same tax effect to the taxpayer.

Mr. Price stated that he knows that when some people start writing a check made payable to the State of Nevada, as far as they are concerned, and you can call it anything you want, they will feel they are paying an inheritance tax. His question is, if there is a \$150,000 tax obligation of which the state could perhaps pick up \$1500 is there a mechanism where the executor, who knows he is going to have to pay the whole amount either to the Feds or part of it going to the state, where he could make that option. Could he pay it all to the Feds? Mr. Jensen reiterated that he doesn't see where it would be a problem if it was an option, it would be simply that if they didn't pay it, the IRS would pick it up and if they paid it to the state, they would allow the credit.

Mr. Brady pointed out that when people are filling out their IRS form, does it become an educational process to fill out the state portion where you will have a portion going to the federal and state government? If you have someone that is not knowledgeable and they send it all to the federal, does that come back to us or does it have to be filled out right on the form? Mr. Jensen explained that if they fill it out incorrectly and put "zero" on the portion for the credit and give the Feds the full amount, they would question whether they paid it to the state. If the form was accepted at their service center, they would have to have some type of affirmative action to get the money back as they wouldn't allow the credit without proof of payment. Mr. Brady then pointed out that, if you have some CPA's or attorney's who do not include the credit to the state and give it all to the federal, the state wouldn't get any of that money unless the state was examining the report and then asked for it. So, in essence, we have to start policing our own people and might have to hire staff in the state to do that. Mr. Jensen called attention to the form (on the last page of the exhibit) on which it shows that if they didn't take a credit, the line that says "Credit for State Death Taxes" would show "zero" and the enforcement people could, at that point, wonder why it said zero; if you had an agreement with the Federal Government, they would send the state a copy automatically on every estate.

Mrs. Cafferata asked what the percentage is on the tax and was advised that this is addressed on page 2 of the exhibit; it starts at "0" and goes up to 16%. On the schedule, it starts at \$40,000 but again there would be no federal tax due until it hits that magic number. He reminded the committee that the \$180,000 is net assets, so you would subtract all your mortgages, debts, charitable requests, etc.

Mr. Craddock asked that, now that they have 49 other states which have allowed this type of pickup, does he know of any attempts by states to reinstate the prohibition of this pickup, and was advised by Mr. Jensen that he was not aware of any.

Mr. Brady asked if Mr. Jensen could see the State of Nevada in any way, getting involved in a bureaucratic situation in trying to collect these taxes; he pointed out that Mr. Jensen has testified that we can put the IRS on notice that we would like a copy of all estate filing returns. We would just have a small staff that would check the return and then file for a return for the monies they had not paid to the state. Mr. Jensen explained that the state would not file to the IRS for a refund, the estate would have to pay the state and then file for a refund themselves. In his experience, he has found that the state is usually paid before the federal form is filed.

Mr. Coulter asked if there would be any delay in settling these estates? There have been concerns expressed that by the state getting involved, it will cause a delay in settling an estate and we do not want to do that. Mr. Jensen explained there may be some delay in some cases, but normally it should not make any difference. He knows of some cases where, during examination, if you pick up an increase in tax there would be a corresponding increase in the credit and they would want to have evidence of that payment being made. Typically, they allow the credit and then give 60 days to provide evidence of payments. If they do not then they disallow the credit and then send them a bill. They do not have to refund the money unless they show evidence of payment within the time frame allowed. There were no further questions from Mr. Jensen and the floor was opened to testimony from members of the audience.

Mr. Jerry Higgins, Gaming Industry Association, expressed the thanks of the Gaming Industry for allowing a hearing on this measure. Responding to a couple of questions that were raised, he stated that the effort by Senator Sims to repeal the Federal Estate Tax is known and supported by the people he represents. The number of dollars involved for support of the Federal Government is tremendous and the chance of repealing that is questionable. In

response to a previous question from Mr. Price as to whom you would write the check, he explained that it would not make much difference whether you write the check to the IRS or the State of Nevada, you still have to pay the same amount. The word "windfall" is used quite often these days in regard to taxation and we are talking here about a \$12 to \$17 million windfall this year; he does not understand how we can ignore that. We should give the people of the State of Nevada the right to vote on this in the 1982 general election. They should make the ultimate decision as to whether this type of tax credit is imposed in the State of Nevada. To go three steps of the way through the Legislature and then kill this in a committee and not give the people the right to vote is not the right thing to do; they should have the ultimate decision. In order to change this to a state tax, it would require another constitutional amendment - which would be a three to five year process and would require another vote of the people to create a Nevada Estate Tax and that would be quite unlikely.

Testifying next in support of this measure was former assemblyman Bob Weise. In listening to the questions addressed to the speaker from the IRS, there appears to be a couple of areas that should be given further discussion. One is that by the time you get wrapped up in that estate tax as to whether you are a community property or tenants-in-common vs. joint tenancy according to how your estate was all set up, if it was botched up by the time the estate tax was determined, it is botched up. The figures Mr. Jensen was quoting were figured on the triple net figures after all the deductions are taken out and the state certainly does not have any room to interfere with that. The real benefits of this and the reason it should go to the public, as stated, is that it is limited by its wording very specifically to the pick up; it creates no additional burden and requires no substantial bureaucracy to enforce. The Federal Government will enter into a cooperative agreement which makes it relatively easy to process, particularly when you compare the cost to the state in imposing this vs. the benefits that we are going to get out of it. This state in particular has survived, as we all know, on educational grants from the Federal Government Grants from the Federal Government, monies for our highway systems, revenue sharing, etc., but with all these federal monies coming to the State of Nevada, and in many instances it is explained to us that these are our federal tax dollars coming back to benefit us, why not take advantage of this opportunity that we have before us today? That is, we can pass this simple amendment that imposes a tax credit, not a tax; the idea of paying 100% of this to the government and not take the deduction is very foolish. Most of the proponents of this measure have been people who have very large estates in Nevada and want the state to benefit; Bill Harrah is probably the best example of that. The argument that people will not come to Nevada if this is passed is no longer sound as we are the only state that does not take advantage of this benefit. In closing, he stated that if the Sim's

movement is at all successful, that one of the benefits would be that you would see an increase in monies come back to the state and people would benefit from that. If we do not have to increase taxes or if we can reduce them, that is a public benefit. This is a rare opportunity and something that public officials should grasp as being a help to our citizens.

Mr. Joe Fisher, with the Nevada State Education, spoke next in support of the resolution. He urged the committee to give the citizens of this state the opportunity to vote on this matter; he is convinced that if given that opportunity, the citizens would prefer to have some of the money they are paying in estate taxes, return to Nevada. The state this year will lose \$11 million if the recent action on the budget is enacted on education cuts and this would go somewhere along the way of restoring that kind of funding which the Federal Government had previously been supporting in education in the state. He gave a brief history of how this pick up credit came into law, adding that it is considered an "indirect tax" and a law that Congress enacted to give the credit back to the states. He urged passage of this resolution and assured the committee that his Association will support it and work in getting it passed by a vote of the people.

Testifying next in support of the measure was Mr. David Wood, CPA from Reno, who stated he feels it is unbelievable to him that we have not taken advantage of this. He has very strong ties to this state with his family dating back over a hundred years; he cannot understand why they are not being allowed to leave this money for the benefit of Nevada. As he understands it, the taxes are going to be the same; he has discussed this with many professional people in the Reno area such as attorneys, accountants etc., and no one can understand why we do not take advantage of it. In reviewing the minutes of the 1979 committee, he noted that the banks are against this and their argument was that the wealthy people would not move to Nevada but as Mr. Wiese alluded to earlier, that argument is without merit. Anyone with any wealth that would consider moving to Nevada would have firsthand knowledge and/or the advice of an attorney or CPA to know that what this is and the effect is "zero".

In addition, Nevada would still not have an inheritance tax; they still could not have one by constitutional prohibition, they do not have an income tax which would seem to be the motives behind someone moving to Nevada and not the estate tax. The amendment is needed and if the Feds decide they are going to withdraw the estate tax or the credit allowed by the states then there would be no state estate tax because the amendment is structured after that.



Mr. Craddock pointed out that, if we picked up a substantial amount of money from the Federal Government, this money would invariably be used for providing services which would have an effect of lowering the cost of local government. Mr. Wood agreed and added that, it would stall the necessity to raise taxes in the future. Mr. Craddock, then pointed out that this, in turn, would be an inducement for people to come to Nevada because of the resultant lower taxes. Getting passed is going to be a matter of educating the people.

Mr. Price voiced his objection to any government taking money from an estate and objects, further, to the state benefiting - legally or otherwise.

Mr. Leroy Bergstrom, CPA, from Reno stated he was representing himself on this issue and that he has testified on this measure many times over the past sessions when this subject was discussed. He added his thoughts to those of previous speakers in being completely bewildered as to why Nevada has not accepted this voluntary revenue sharing program that the Federal Government has had in place for many years. He hears from fellow professionals, from the man on the street and from many others, things that are unbelievable in regard to the bureaucracy that will be required if this passes; according to the language of the bill that is a lot of nonsense. He understands that the public is uninformed about what this concept really is but he feels a program of education would be beneficial and he does support the resolution fully.

There being no further testimony to be taken, Chairman Coulter explained that when we resurrected the resolution we request a bill earmarking funds and that bill has been set for a hearing next week. The agreement was that we would not take action on this resolution until action could be taken on the bill and that will be the procedure.

A.B. 577 - Requires that interest earned on certian local government funds be allocated to those funds

Speaking as a representative of the Nevada League of Cities, was Mr. G. Etcheverry who stated his League was strongly opposed to this bill. He explained that in their deliberations with some finance people, they found some technical problems with the contents of the bill. Provisions have been made for some expert witnesses to speak on this measure and he introduced, as the first speaker, Mr. Frank Kastory, Finance Director for the City of Reno.

Mr. Kastory stated he finds the bill to be mechanically unsound and not possible to use in the method of good budgetary practices, accounting and handling for the earnings on investments. He pointed out that when you prepare a budget, you prepare it in the current fiscal year on the basis that you are going to earn money on your invested money. The bill provides that you are to use the money in the following year (line 10) which is not a practical situation. For example in the effect of a capitol projects funding source, you might have ad valorem tax, you might use the fund balance from a following year, you might have grants from several areas (either private or federal grants), and you might also in your total package, use your earnings on investments. That money is, therefore, obligated as a resource for the capitol projects that you are going to use. Referring to line 10 (#1) he pointed out it is restricted to be used entirely to reduce any ad valorem tax revenue required to support the fund for the next fiscal year. He advised that the money is already obligated in the budgetary practices. He feels like the legislation in this case, even though there might have been some violations not only in the capitol projects funds, the debt service fund or the trust fund that is holding the federal general revenue sharing money, or other earnings, and the entire item should be addressed through either the regulations of the Department of Taxation or through the State Budget Law. Any use of this type of money is very definitely in the realm of the local government. He urged defeat of this bill.

Speaking next, also in opposition, was Mr. Ed Greer, Business Manager for Clark County School District, who stated this concept should be kept in the purview of the governing board. He stated they have consistently done what this bill prescribes in that they have had a gentleman's agreement to control their rates that they need for outstanding bonds and they include the monies that are earned after they sell the bonds to go into the debt service. He added that we are seeing now a situation where we will need this type of flexibility. They do not perceive that they could go for a general county-wide bond election for the school district until about 1984-85 because until you can generate a need that covers your whole county, it is very difficult to get a vote on it. They feel in the meantime, there are some definite impacts and it would be to their advantage to be able to benefit from it. You are not going to generate a large amount but when you sell your bonds and you are facing the inflation that we are on the cost of building, that those bonds immediately start deteriorating in value as far as how much you can get done. They need all the flexibility they can get and this would enable them to have a little bit.

Mr. George Bryton, The Associate Superintendent of the Washoe County School District, addressed the committee stating he concurred with the statements made by Mr. Greer but he wanted to emphasize their particular situation as an example for that. They do oppose this concept as they feel this should be left to the determination of the governing body. He gave some examples of instances that have happened within their district that pointed out their reasoning.

Mr. Henry Chanin, Vice President of Burrows-Smith and Company, advised the committee he was speaking on behalf of this company which provides financial advisory service for almost all local governments throughout the state and including the State. He stated this bill, if enacted in its present form would be unconstitutional as it breeches almost every existing bond contract that is outstanding. When an investor loans money to a school district, county or a state, one of the things that the documents cover is what that entity will do with interest earnings on any of the accounts set up either to build the project or to repay the investor. The notion is to capture those interest earnings so they can't be used for something extraneous until the investor is paid. He gave several examples of projects with Nevada that would have problems if this were to be enacted.

In response to a question by Mr. Price, Mr. Chanin explained that the Local Government Securities Law, which is the statute, gives two options as far as interest earnings are concerned. It says you can use them for capitol projects or you can use them to transfer into the debt service account, however, the limit in the statute can be further limited by contract.

The City of Sparks was represented by Mayor Ron Player who stated they have just sold a \$14.9 million dollars worth of bonds; one of the projects is for the interchange at Interstate 80 and Sparks Boulevard. There is one string attached, and that is that they will provide an Enviornmental Impact Statement which will take in the entire corridor. In the meantime, the monies are gaining interest and that money will be used to pick up the "lag" time in inflation as previously discussed on this interchange. This bill would prohibit them from doing this and, in the circumstances, they are strongly opposed to passage of this bill.

Mr. Patrick Pine, representing the County of Clark spoke in opposition to the bill, stating simply that they oppose the bill for the reasons previously expressed by those testifying.

There being no further business, the meeting was adjourned.

Respectfully submitted,

*Nikki Kinsley*  
Nikki Kinsley, Committee  
Secretary 8-18

ASSEMBLY

AGENDA FOR COMMITTEE ON.....Taxation.....

Date Tues, May 5, 1981 Time 1:30 pm Room 240

Bills or Resolutions  
to be considered

Subject

Counsel  
requested\*

ALL MEETINGS OF THE ASSEMBLY COMMITTEE ON TAXATION  
WILL BEGIN PROMPTLY AT 1:30 PM. PLEASE ARRANGE  
YOUR SCHEDULES ACCORDINGLY.

S.J.R.6 of the 60th Session -

Proposes to amend Nevada constitution to allow  
imposition of estate tax not greater than credit  
allowable under federal law.

A.B. 577-

Requires that interest earned on certain local govern-  
ment funds be allocated to those funds.

A.J.R. 38-

Proposes constitutional amendment to authorize imposi-  
tion of estate tax with specified limit and purpose.

THIS AGENDA SUPERSEDES AND CANCELS PREVIOUS AGENDA  
FOR THIS DATE.



STATE DEATH TAX CREDIT

Steven A. Jensen  
Attorney, Estate Tax  
Internal Revenue Service  
Telephone (702) 784-5255

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*Exhibit I*

## General Federal Estate Tax Statistics

### I. Annual Federal Estate Tax Returns Filed (1980)

<u>Size of Estate (Gross Estate)</u>	<u>Number Filed</u>
300,000 and under	133
1,000,000 to 300,001	102
1,000,001 and over	39
Total Filed	<u>274</u>

- II. The Reno District currently has 64 estate tax returns under examination. The allowable state credit on these 64 returns would be \$12,666,927 as filed. Note: The \$12,666,927 figure is as the returns are filed and before any examination action. Any increase in tax based upon an examination would have a corresponding increase in the allowable state credit.

STATE CREDIT RATE SCHEDULE

* Adjusted Taxable Estate Equal to or More Than	* Adjusted Taxable Estate Less Than	Credit on Amount in Column	Rate of Credit on Excess Over Amount in Column 1
(1)	(2)	(3)	(4) (Percent)
0	40,000	0	None
40,000	90,000	0	0.8
90,000	140,000	400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000	-	1,082,800	16.0

\* Adjusted taxable estate is the Federal taxable estate reduced by \$60,000.00



Example #1

Federal Taxable Estate  
\$500,000  
(1980)

Taxable Estate	500,000
Tentative Federal Tax	155,800
Unified Credit	42,500
"Allowable" State Credit	<u>10,000</u>
(assuming no other allowable credits)	
Net Federal Tax	103,300
Net to Nevada	<u>10,000</u>
Total Tax	113,300

Example #2

Federal Taxable Estate  
\$1,000,000  
(1980)

Taxable Estate	1,000,000
Tentative Federal Tax	345,800
Unified Credit	42,500
"Allowable" State Credit	<u>33,200</u>
(assuming no other allowable credits)	
Net Federal Tax	270,100
Net to Nevada	<u>33,200</u>
Total Tax	303,300

Example #3

Federal Taxable Estate  
\$5,000,000  
(1980)

Taxable Estate	5,000,000
Tentative Federal Tax	2,550,800
Unified Credit	42,500
"Allowable" State Credit (assuming no other allowable credits)	<u>391,600</u>
Net Federal Tax	2,116,700
Net to Nevada	<u>391,600</u>
Total Tax	2,508,300

As it stands, the total tax is paid to the Federal Government. If the state pick-up tax were in effect, the state credit amount would be paid to the state with a corresponding decrease in the amount paid to the Federal Government. In either case, the total tax paid by the estate remains the same.

NOTE: All the examples are based upon the Federal taxable estate. The taxable estate is the gross estate minus all allowable deductions, i.e., debts, mortgages, charitable bequests, etc.

Internal Revenue Service  
District Director

Department of the Treasury

Date:

Estate of:

Decedent's Social Security  
Number:

Date of Death:

Person to Contact:

Contact Telephone Number:

OTHER STATES HAVE FEDERAL STATE AGREEMENTS  
UNDER WHICH COPIES OF THIS CLOSING LETTER  
ARE PROVIDED THE STATE FOR ENFORCEMENT  
PURPOSES.

Estate Tax Closing letter  
(This is not a bill for tax due)

Our computation of the Federal Tax liability for the above estate is shown below. It does not include any interest that may be charged. You should keep a copy of this letter as a permanent record because your attorney may need it to close the probate proceedings for the estate. This letter is evidence that the Federal tax return for the estate has either been accepted as filed, or has been accepted after an adjustment that you agreed to.

This is not a formal closing agreement under section 7121 of the Internal Revenue Code. We will not reopen this case, however, unless Revenue Procedure 74-5, reproduced on the back of this letter, applies.

If you have any questions, please contact the person whose name and telephone number are shown above. Thank you for your cooperation.

Sincerely yours,



District Director

Tentative tax . . . . .	\$ _____
Less: Aggregate gift taxes payable (for gifts made after 12-31-76) . . . . .	\$ _____
Unified credit . . . . .	\$ _____
Credit for State death taxes . . . . .	\$ _____
Credit for Federal gift taxes (on gifts prior to 1-1-77) . . . . .	\$ _____
Credit for foreign death taxes . . . . .	\$ _____
Credit for tax on prior transfers . . . . .	\$ _____
Total subtractions . . . . .	\$ _____
Net estate tax . . . . .	\$ _____
Penalties, if any . . . . .	\$ _____

(over)

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