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Commission on Government Forecasting & Accountability

Illinois

ESTATE TAXES

Testament

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UPDATE

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EXECUTIVE SUMMARY

The Illinois estate tax is applied under the Illinois Estate and Generation-Skipping Transfer Tax Act (35 ILCS 220). Estate taxes, often referred to as death taxes, are administered by the Attorney General of the State of Illinois. The Illinois Estate tax generates approximately \$275 million to \$300 million per year in General Revenue for the State of Illinois. This report examines the Illinois Estate tax, focusing on new legislation related to the estate tax in recent years, changes in the revenues paid to the State, an examination of the geographic distribution of payable estates, and a comparison to other states that collect death taxes.

- In 2001, Congress passed the Economic Growth and Tax Relief Reconciliation Act. Under this new law, the state tax credit was phased out by calendar year 2005. Illinois, as a result of this law change, was set to lose approximately \$300 million a year in estate tax revenue. Illinois decoupled from the federal state tax credit in order to preserve the estate tax revenue stream. Illinois, when decoupling, did allow the maximum exemption, or the amount that could pass tax free to increase in accordance with the Federal law up to \$2 million.
- Due to the decoupling legislation only affecting tax years 2003 – 2009, the Illinois Estate Tax was allowed to be repealed in 2010 due to a recoupling with Federal law that no longer recognized a State tax credit.
- The estate tax was reenacted with a \$2 million exemption in Illinois in January of 2011 with the Taxpayer Accountability and Budget Stabilization Act (P.A. 096-1496). Due to this legislation, the Illinois estate tax was based on the Internal Revenue Code in affect prior to 2001 going forward.
- During the 2011 veto session, legislation was passed to raise the estate tax exemption levels. Public Act 097-0636 raised the exemption levels to \$3.5 million in 2012 and \$4.0 million in 2013.
- From FY 2006 – FY 2010, Illinois estate tax revenue averaged \$288 million per year. In FY 2011, the State of Illinois received just \$122 million in estate tax revenues. This large drop in revenue is due to the 2010 repeal of the tax and the 10 month lag in the estate tax payment cycle.
- Illinois has averaged approximately 2,100 taxable estates per year in recent years. This number is expected to decline in future years as the exemption level is scheduled to rise.
- The average estate paid \$155,000 in 2010 which was in increase over the approximate \$120,000 level that was normal in previous years.

- Over a 5-year period, estates from Cook County paid 51% of the estate taxes, while containing 42% of the State's population. The Collar Counties contributed a little less than 26% of estate tax receipts with 21% of the population. The rest of the state had almost 37% of the population but paid only 23% of the estate taxes collected.
- In 2010, Illinois collected \$243 million in death and gift tax revenue. This was the 4th highest total in the nation. When compared to other states as a percentage of total taxes collected, Illinois was 12th out of the 20 states that collected a similar estate or inheritance tax. Illinois collected \$18.91 per capita (14th out of 20) and \$3,165 per death (13th out of 20)

What are “Death Taxes”?

The term “death taxes” is used to refer to a number of taxes that are imposed upon the transfer of wealth or income, particularly at the time of an individual’s death. Although these taxes are primarily levied at the time of death, additional taxes target transfers that occur in anticipation of death; those transfers made three years prior to death. The following paragraphs provide background regarding the various death taxes.

Inheritance taxes are generally regarded as taxes upon beneficiaries and, as such, are levied against the amount transferred by the decedent to the beneficiary. These taxes are levied at graduated rates based upon the amount of the bequest and upon the beneficiary’s relationship to the decedent. Since the federal government does not impose inheritance taxes, they are strictly the domain of the states.

Estate taxes are generally regarded as taxes upon the decedent’s estate. These taxes are levied at graduated rates based upon the value of the estate, with certain amounts exempted from taxation. Estate tax rates are imposed on the estate as a whole and do not vary based upon the relationship of the beneficiary to the donor. However, exceptions exist and many estate taxes exempt all portions of the estate transferred to a spouse including Illinois.

The “**pick-up**” or “**sponge**” tax is a variation of the estate tax that is based on a link between federal and state death taxes. Prior to the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001, federal law allowed a dollar-for-dollar credit – up to a predetermined amount – against federal liability for state death taxes paid. Although the states may levy death taxes that exceed the federal credit, 38 states levied estate taxes using the same schedule utilized by the federal government when determining the state death tax credit. In these states, the “pick-up” tax did not affect taxpayer liability because the states were collecting revenue that would have otherwise gone to the federal government. This method of taxation was disrupted with the gradual phase out of the federal credit in 2005. Many states have “de-coupled” from the federal tax by establishing a separate estate tax or applying the State estate tax as if the Federal estate tax laws were in effect in 2001.

A **gift tax** is a levy on wealth given by living donors. The rates imposed and exemptions allowed under gift tax statutes are similar to rates and exemptions under the inheritance tax. But donors, rather than recipients, are liable for gift taxes. Gift taxes are imposed on the transfer of wealth so even tax-exempt property is subject to the tax.

A History of Inheritance/Estate Taxes

A study released in 2003 by the Heritage Foundation details the origins of the estate tax. The collection of estate taxes date back almost three thousand years. In as early as 700 B.C there appears to have been a ten percent tax on the transfer of property in Egypt. Augustus Caesar imposed a tax on the transfer of property on everyone except close relatives of the deceased.

The first examples of the estate tax in the United States grew out of the Stamp Act of 1797. The revenues from the required stamping of wills were used to pay off debts incurred during the undeclared naval war with France. This tax was later repealed in 1802. The following example illustrates the rationale behind the inheritance tax in a historical sense in early American history. Early estate taxes in the United States were temporary, used as a “sporadic, and temporary, way to finance wars, according to the Heritage Foundation. Even during the Civil War the Tax Act of 1862 imposed a federal inheritance tax. As in the past, after the need for additional revenue ceased, the tax was repealed.

The genesis of the modern day inheritance tax began in 1916 with the Revenue Act of 1916. This act is also notable because it created the modern day income tax. This Act also contained provisions that created an estate tax with many features that are still evident today. The Heritage study noted that the initial exemption was \$50,000 (over \$11 million in terms of today’s wealth), and rates began at 1% and increased to 10% with the outbreak of World War I. Unlike preceding inheritance taxes that disappeared once additional revenue was no longer needed this tax was made permanent. In 1954 the federal estate tax was made to include life insurance proceeds, which would substantially raise an estates tax bill.

Over the last decade, the Federal estate has gone through significant changes. The Economic Growth and Tax Relief Reconciliation Act of 2001 phased out the State estate tax credit over a four year period, increased the exemption level to \$3.5 million by 2009 and repealed the Federal estate tax in 2010. In December of 2010, the Federal estate tax was reinstated retroactively for 2010 with increased exemption levels of \$5 million through 2012 and \$5.12 million in 2013 with a top tax rate of 35%. Without further legislative action, the Federal estate tax exemption level will be lowered to \$1 million and the top tax rate is scheduled to be raised to 55% in 2013.

In addition to the Federal estate tax, numerous states collect estate and inheritance taxes. Table 1, on page 4, illustrates which states will collect “Death Taxes” in 2012, the kind of taxes collected, and the exempted threshold for payment. Without further action, current Federal law would reinstate the federal state death tax credit for 2013 which could reinstate estate taxes for several states that currently don’t collect estate pick-up taxes due to a coupling with the Federal law.

The Illinois Estate Tax

The Illinois estate tax is applied under the Illinois Estate and Generation-Skipping Transfer Tax Act (35 ILCS 220). From 1949 to 1983, Illinois imposed two “death taxes”, an inheritance tax and estate tax. The inheritance tax was abolished in 1983. Starting in 1949 the State of Illinois imposed an estate tax based on the federal estate tax. This tax was originally set at 80% of the federal estate tax, minus state inheritance tax due. In 1955, an amendatory act was passed that set the amount of tax equal to the maximum state tax credit allowed under the federal tax.

In 2001, Congress passed the Economic Growth and Tax Relief Reconciliation Act that phased out the federal state tax credit over a four year period. The credit was reduced by 25% for 2002 decedents, by 50% for 2003 decedents, by 75% for 2004 decedents, and finally eliminated for decedents dying on or after January 1, 2005. Many states, including Illinois, collected estate tax at a rate equal to the maximum allowable credit under federal law. The tax relief package eliminated the federal credit that many states tied their estate tax collections to. Therefore, many states, like Illinois, decoupled from the federal tax credit in order to preserve the revenue stream from estate tax collections.

In 2003, the Illinois General Assembly passed legislation that returned the Illinois estate tax back to what it had been before the 2001 Federal legislation. Illinois was not the only State to decouple from the Federal tax credit. Due to the 2003 legislation only affecting estates from deaths occurring between 2003 and 2009, the Illinois estate tax was allowed to be repealed for tax year 2010 due to the repeal of the Federal estate tax for a single year.

In January of 2011, the Illinois General Assembly passed and Governor Pat Quinn signed into law the Taxpayer Accountability and Budget Stabilization Act (Public Act 096-1496). Besides raising the state income taxes, this act also reinstated the estate tax beginning on January 1, 2011. The estate tax would be enforced in the same manner as prior to 2010 with a \$2 million exclusion level before estates began being taxed.

During the fall veto session of 2011, Public Act 097-0636 raised the exemption level at which estates would begin to be taxed. The legislation left the exclusion amount at \$2 million for people dying prior to January 1, 2012 but raised the level to \$3.5 million for estates of people dying in 2012. The exemption will be raised to \$4 million on estates for people dying in tax year 2013 and after.

Table 2, on the following page, displays the exemption levels and the maximum tax rates of the Federal and Illinois estate taxes since 2001.

Table 1. Estate and Inheritance Taxes by State

State	Type of Tax	2012 Exemption
Connecticut	Separate Estate Tax	\$2,000,000
Delaware	Pick-up Only	\$5,120,000
District of Columbia	Pick-up Only	\$1,000,000
Hawaii	Modified Pick-up Tax	\$3,500,000
Illinois	Pick-up Only	\$3,500,000
Indiana	Inheritance Tax	Various
Iowa	Pick-up Tax and Inheritance Tax	\$25,000
Kentucky	Inheritance Tax	Various
Maine	Pick-up Only	\$1,000,000
Maryland	Pick-up Tax and Inheritance Tax	\$1,000,000
Massachusetts	Pick-up Only	\$1,000,000
Minnesota	Pick-up Only	\$1,000,000
Nebraska	County Inheritance Tax	Various
New Jersey	Pick-up Tax and Inheritance Tax	\$675,000
New York	Pick-up Only	\$1,000,000
North Carolina	Pick-up Only	\$5,120,000
Ohio	Separate Estate Tax (Repeal Effective 1/1/13)	\$338,333
Oregon	Separate Estate Tax	\$1,000,000
Pennsylvania	Inheritance Tax	\$3,500 - Family Exemption
Rhode Island	Pick-up Only	\$892,865
Tennessee	Inheritance Tax	\$1,000,000
Vermont	Modified Pick-up Tax	\$2,750,000
Washington	Separate Estate Tax	\$2,000,000

Source: McGuireWoods LLP

Table 2. Federal and Illinois Estate Taxes

Year	Federal Estate Tax Exemption	Top Tax Rate Federal	Illinois Estate Tax Exemption	Top Tax Rate Illinois
2001	\$675,000	55%	\$675,000	16%
2002	\$1,000,000	50%	\$1,000,000	16%
2003	\$1,000,000	49%	\$1,000,000	16%
2004	\$1,500,000	48%	\$1,500,000	16%
2005	\$1,500,000	47%	\$1,500,000	16%
2006	\$2,000,000	46%	\$2,000,000	16%
2007	\$2,000,000	45%	\$2,000,000	16%
2008	\$2,000,000	45%	\$2,000,000	16%
2009	\$3,500,000	45%	\$2,000,000	16%
2010	Repealed*	Repealed*	Repealed	Repealed
2011	\$5,000,000	35%	\$2,000,000	16%
2012	\$5,120,000	35%	\$3,500,000	16%
2013	\$1,000,000	55%	\$4,000,000	16%

*The Federal estate tax was retroactively reinstated for 2010. Estates from deaths in 2010 could choose to use tax rules from 2011 with a \$5 million exemption level and a "stepped up" basis for inherited property or 2010 tax rules with no estate tax but a "carry-over" basis for inherited property

Source: Internal Revenue Service, Legislative Research Unit

Estate Tax Collection and Distribution

The Illinois Attorney General administers the Illinois estate tax. Form 700 (attached in Appendix I) is used to file estate taxes in Illinois. The form is filed with the Attorney General and the County Treasurer. Persons filing estate taxes in Illinois file them in the county in which they reside. Non-residents file in the county where their property has the greatest value. Appendix II lists the mailing addresses of the State's County Treasurer's offices. The tax is due nine months after death. Estate tax revenue is forwarded by County Treasurers to the State the following month. This creates a 10 month lag between the time of death and the time the State receives estate tax payment. Estate taxes collected are paid into the General Revenue Fund with 6% then being transferred to the Estate Tax Collection Distributive Fund which is sent back to the county that collected the taxes. Figure 1 below illustrates the estate tax revenue collection process and distribution.

An estate's tax is calculated by taking the estate's gross value less allowable deductions to arrive at the value of the taxable estate amount. The taxable estate less a \$60,000 reduction for purposes of the (former) credit for state death taxes is multiplied by the applicable state tax rates. The Illinois estate tax rate is based on the state tax credit in Federal law in affect in 2001. The tax rate ranges between 0.8% and 16%. The full table of tax rates can be found in Appendix III.

A person's **gross estate** includes the value of all property a person owns partially or outright at the time of their death. The gross estate includes the following:

- Life insurance proceeds payable to the estate or, if the deceased owned the policy, to their heirs;
- The value of certain annuities payable to the estate or the deceased's heirs; and
- The value of certain property transferred within 3 years prior to the death.



Figure 1. Illinois Estate Tax Process

The allowable deductions used in determining the **taxable estate** include:

- Funeral expenses paid out of the estate,
- Debts owed by the deceased at the time of death
- The marital deduction (generally, the value of the property that passes from your estate to your surviving spouse),
- The charitable deduction (generally, the value of the property that passes from the estate to the United States, any state, a political subdivision of a state, the District of Columbia, or to a qualifying charity for exclusively charitable purposes), and
- The state death tax deduction (generally any estate, inheritance, legacy, or succession taxes paid as the result of the decedent's death to any state or the District of Columbia).

In September of 2009, Governor Quinn signed Public Act 096-0789 which allowed for the use of a marital deduction of Qualified Terminable Interest Property (QTIP) in calculating taxable estate. This legislation was passed to solve issues related to the State estate tax exemption gap which has to do with the difference between the Federal estate taxes exemption level and the State's estate tax exemption level. This allows for the payment of both Illinois and Federal estate tax to be deferred until after the surviving spouses death.

The payment process outlined in this section may be changed in the near future. In May of 2012, both houses of the Illinois General Assembly passed SB 3802 which changes where payment of the estate tax is sent to. If SB 3802 is signed by the Governor, estate tax payments will be sent directly to the State Treasurer. This eliminates the county treasurers as middle men in the payment process. The State would retain the 6% of the taxes collected that is currently transferred back to the county level. This change would allow the State to gain between \$12 million and \$15 million per year, while County level government revenue would be reduced by a similar amount.

Illinois Estate Tax Revenues

Figure 2 on the following page illustrates estate tax revenue since FY 1990. The Illinois Estate Tax grew from just over \$100 million in FY 1990 to over \$348 million in FY 2000. During the 1990's, estate tax receipts grew by an average of 13.4% per year, which was due to steady growth throughout the early-to-mid 1990's and explosive growth of 25.6% and 38.6% in FY 1998 and FY 1999. Only FY 1994 saw a decline in annual estate tax receipts.

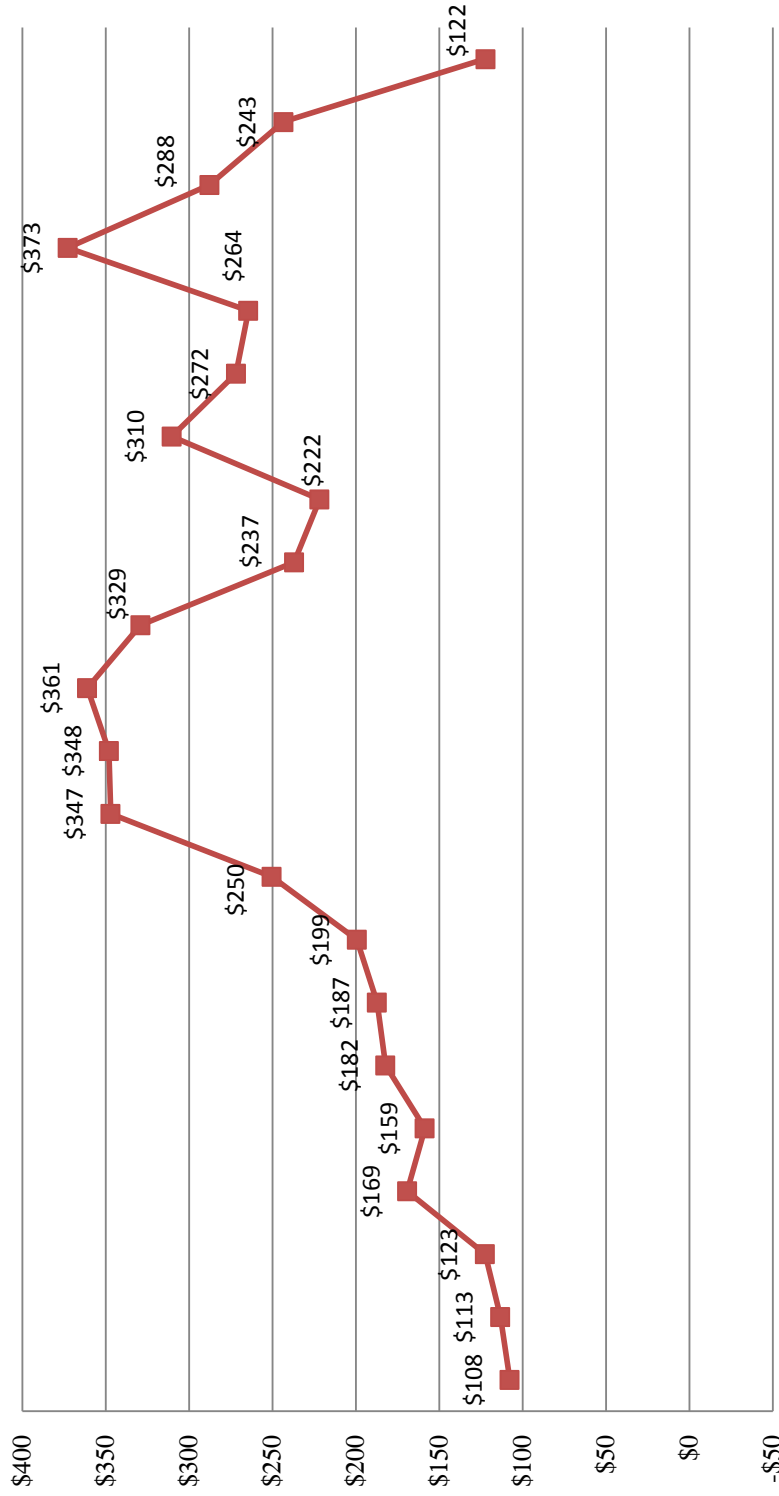
Estate tax receipts have had highly variable results since FY 2000. Estate taxes grew to an all-time high at \$361 million in FY 2001 but fell all the way to \$222 in FY 2004. Receipts rebounded to a new all-time high of \$373 million in FY 2008. Since then, estate tax receipts have fallen to just \$122 million in FY 2011. This is an average decline of -5.6% per year. Since FY 2001, estate tax revenue has averaged approximately \$275 million per year with the results being closer to \$300 million per year if you take out the effects of the 2010 repeal.

There are likely two main factors in the variability in estate tax receipts over the last decade. The first factor was significant changes in the estate tax laws. Illinois upped the exemption level from \$675,000 to \$2 million during this time period. This decreased the amount of estates that would be taxed under the estate tax. The exemption level is \$3.5 million in 2012 and is scheduled to rise to \$4 million in 2013.

FY 2011 was significantly impacted by the repeal of the estate tax in tax year 2010. Due to the lapse in tax payments from 2010 decedents, FY 2011 estate tax receipts were essentially only 1/3rd of a normal year. FY 2012 is expected to be about 2/3rd's of a normal year as the 2010 deaths get through the estate tax payment cycle. Monthly estate tax revenues returned to their pre-repeal levels in November of 2011.

Another factor that likely played a part in the high variability in estate tax revenue is the state of the overall economy. A significant portion of the value of many estates is made up of assets whose value fluctuates based on economic conditions. These assets include such things as mutual funds, stocks, bonds, property, etc. The 2000's saw a burst in the tech bubble, a short recession followed by the real estate bubble, which was followed by the Great Recession. These swings in the economy likely affected the value of estates which led to a higher level of variability in estate tax receipts.

Figure 2. Illinois Estate Tax Revenue
(\$ Millions)



Receipts	\$108	\$113	\$123	\$169	\$159	\$182	\$187	\$199	\$250	\$347	\$348	\$361	\$329	\$237	\$222	\$310	\$272	\$264	\$288	\$243	\$243	\$122
Change	10.2%	5.2%	8.1%	38.1%	-6.3%	14.9%	2.8%	6.5%	25.6%	38.6%	0.3%	3.7%	-8.8%	-28.0%	-6.4%	40.0%	-12.4%	-2.7%	41.0%	-22.8%	-15.4%	-49.8%

Source: Office of the Comptroller

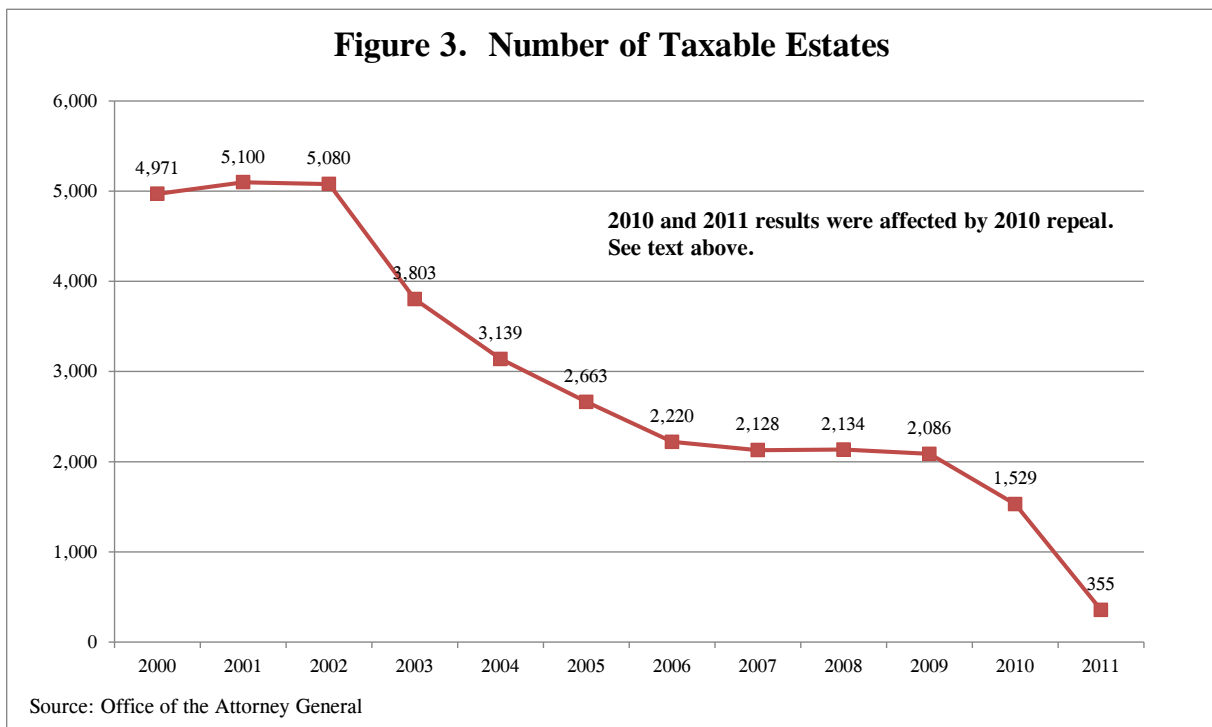
Taxable Estates

Information provided to the Commission from the Attorney General of the State of Illinois shows that the number of estates taxed per calendar year has dropped considerably since 2001. In 2001, there were 5,100 estates that paid tax in Illinois. In 2009, only 2,086 estates owed estate taxes. This represents a -59% decrease in the number of taxable estates. This downward movement of taxable estate is largely caused by the Illinois estate exemption increasing from \$675,000 in 2000 to \$2 million in 2009. This increase in the exemption has reduced the number of estates paying the tax.

Please note that the 2010 and 2011 results of 1,529 and 355 were affected by the 2010 repeal of the estate tax in Illinois. The repeal led to a decrease in taxable estates in these two years due to the 10 month delay from death to payment. As there was no Illinois estate tax for individuals dying in 2010, payments received from January through September in 2011 were generated from late-filed or amended returns and estates that elected extended payments for individuals dying in 2009 or earlier.

The number of taxable estates is expected to increase from their 2011 lows in 2012 and 2013 but not to the approximately 2,100 per year level that was seen from 2006 through 2009. The number of taxable estate will likely not be as high in future years as a result of the planned increases in the exemption level to \$3.5 million in 2012 and to \$4.0 million in 2013.

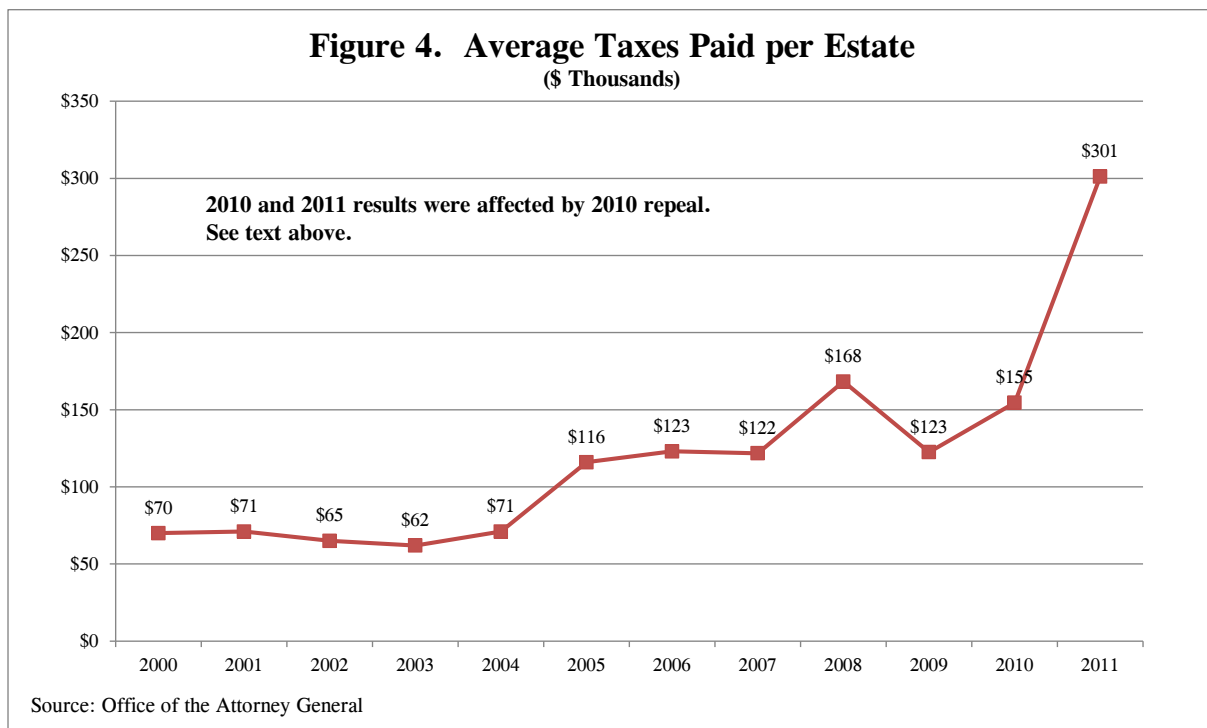
Figure 3 below shows the decline in taxable estates since 2002.



Taxes Paid per Estate

As one would expect with the increase in the exemption amount on estates needing to pay estate taxes, the average amount that each estate pays has increased. From 2000 through 2004, the average estate paid approximately \$70,000 with a low of \$62,000 in 2003. This amount jumped to \$116,000 in 2005 which was an increase of over 63%. The average amount paid stayed around \$123,000 in 2005 and 2006 but jumped up to \$168,000 in 2008. The average fell back to about \$123,000 in 2009 before jumping back up to \$155,000 in 2010. The average jumped considerably in 2011 to over \$300,000. **The 2011 results are likely somewhat of an outlier** as the average is based on only two months of full payments due to the 2010 repeal.

Figure 4 demonstrates the rise in average taxes paid per estate in recent years.

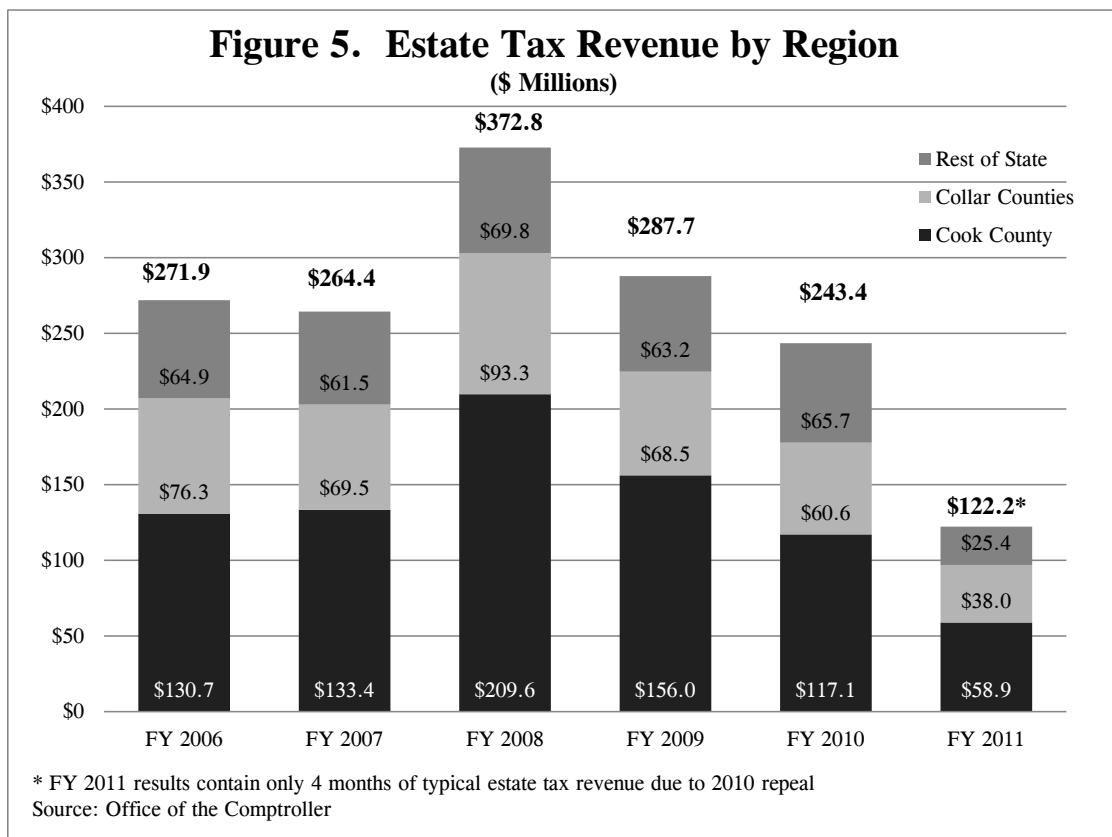


A Geographic Examination of Illinois Estate Tax Revenues

To examine the geographic distribution of estate tax receipts, the Commission examined estate tax revenue data by county from FY 2006 through FY 2010. This five year time period was chosen compared to just a single fiscal year due to the variability of deaths and the distribution of wealth throughout the state. Some counties had no estate tax revenue in some fiscal years due to no taxable estates from decedents in that given year. FY 2011 data was excluded due to only four months of “normal” estate tax collections due to the 2010 repeal of the tax.

Estate taxes were broken out by county and ranked. The individual revenues were then compared to total revenues, and then compared to estimated populations by the U.S. Census. These comparisons showed how estate tax revenues changed by locale through the years and how these percentages compared to the population in general. These results were then averaged over the 5-year period to reduce the amount of variability due to the timing of deaths. These results were then examined based on three regional sub-sections: 1) Cook County, 2) Collar Counties, which includes DuPage, Kane, Lake, McHenry, and Will Counties, and 3) the rest of the State.

As one would expect, areas with a higher concentration of wealth (Cook and Lake Counties especially) paid more in estate taxes over the analyzed time period. Figure 5 illustrates estate tax receipts from this time period including FY 2011.



Cook County

Over the five fiscal years analyzed, the State averaged estate tax receipts of \$288 million. Of this amount, approximately \$150, or just over 50%, came from Cook County. This is expected as Cook County represents almost 42% of the State's estimated population. The largest amount of receipts to the State from Cook County estates was received in FY 2008 when almost \$210 million were received. This equated to over 56% of the total estate taxes received that year. The lowest amount of estate tax received was \$117 million in FY 2010 which was 48.1% of the total. Cook County averaged contributing 51.4% of estate taxes while accounting for 41.8% of population, which equated to a difference of 9.6%. Table 3 on the next page highlights the results for all regions.

Collar Counties

The Collar Counties make up just over 21% of the State's population but accounted for 25.6% of estate tax receipts on average, a difference of 4.4% on average. The Collar Counties had estate tax receipts of just under \$74 million per year on average. Over this time period, the Collar Counties estate tax receipts ranged between \$60.6 million to \$93.3 million.

In 4 of the 5 fiscal years studied, Lake County contributed the largest amount to this total averaging \$38.7 million. DuPage County was the next biggest contributor at \$18.3 million per year and was the largest contributor to the Collar Counties total in FY 2007 at over \$29.5 million. Kane and Will Counties averaged \$6.9 million and \$6.5 million, while McHenry County added approximately \$3.3 million. Collar Counties were the next four biggest contributing counties behind Cook County. McHenry County was the 10th largest county to estate tax revenue over the examined time period.

Lake County stands out in that it contributes 13.3% of annual estate tax but only contains 5.6% of the population, a difference of 7.7%. This would indicate that similar to Cook County, Lake County is an area with a higher concentration of wealth. Kane and Will Counties on the other hand contribute less in estate taxes than their population would indicate with differences of -1.5% and -2.0%.

Rest of the State

The rest of the State contributed approximately \$65.0 million per year. This equated to 23.0% of total estate taxes paid. While the Rest of the State supplied 23% of the estate tax, these counties contained 36.9% of the population. This was a difference of -14.0% from the percentage of estate taxes paid to total population.

Of the Rest of the State region, St. Claire County averaged the most estate taxes paid per year at just under \$5.2 million per year. The central Illinois counties of McLean (\$3.8 million), Sangamon (\$3.6 million) and Champaign (\$3.3 Million) were the next largest

counties in the Rest of State area. Johnson and Pulaski Counties at the southern tip of the State had no estate taxes paid from FY 2006 through FY 2010.

St. Claire County has the third highest difference in estate tax to population. St. Claire County has averaged paying 1.7% of the estate tax but only contains 0.2% of the population, a difference of 1.5%. McLean County has the next highest difference at 1.2%. Lawrence County in southeastern Illinois was prominent when comparing estate taxes paid to population. Lawrence County averaged paying \$3.2 million per year. This equated to 1.3% of estate taxes paid but the county only had 0.1% of the State's population. Lawrence County's results were likely due to a small number of large estates (maybe even a single large estate) in FY 2010. Lawrence County averaged less than \$500,000 a year in estate taxes in FY 2006 through FY 2009 but had estate tax revenue of over \$14 million in FY 2010.

Table 4, on the following pages, presents the results of the 5-year period with average estate tax revenue collected by each county, the rankings compared to the other counties, the average estimated population, the percent each category made up of the State total, along with the difference between average percent estate tax collected versus average percent population.

Table 3. Estate Tax Revenue by Region						
	Estate Tax Revenue					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5-Year Average
State-Total	\$271.9	\$264.4	\$372.8	\$287.7	\$243.4	\$288.0
Cook	\$130.7	\$133.4	\$209.6	\$156.0	\$117.1	\$149.4
Collar Counties	\$76.3	\$69.5	\$93.3	\$68.5	\$60.6	\$73.6
Rest of State	\$64.9	\$61.5	\$69.8	\$63.2	\$65.7	\$65.0
	% of Total Estate Tax Revenue					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5-Year Average
Cook	48.1%	50.4%	56.2%	54.2%	48.1%	51.4%
Collar Counties	28.0%	26.3%	25.0%	23.8%	24.9%	25.6%
Rest of State	23.9%	23.3%	18.7%	21.9%	27.0%	23.0%
	% of Total Population					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5-Year Average
Cook	41.6%	44.8%	41.0%	40.9%	41.0%	41.8%
Collar Counties	21.6%	18.3%	22.0%	22.1%	22.1%	21.2%
Rest of State	36.8%	36.9%	37.1%	37.0%	36.9%	36.9%
	Difference of Revenue from Population					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5-Year Average
Cook	6.5%	5.6%	15.3%	13.3%	7.1%	9.6%
Collar Counties	6.5%	8.0%	3.1%	1.8%	2.8%	4.4%
Rest of State	-13.0%	-13.6%	-18.3%	-15.1%	-9.9%	-14.0%

Source: Office of the Comptroller, U.S. Census Bureau, CGFA

Table 4. Estate Tax Revenue by County

FY 2006 - FY 2010 Average						
County	Estate Tax Revenue	Rank	% of Total Revenue	Population	% of Total Population	Difference of % Estate Tax Revenue to % Population
Adams	\$828,925	26	0.3%	66,892	0.5%	-0.2%
Alexander	\$7,596	98	0.0%	8,254	0.1%	-0.1%
Boone	\$694,640	31	0.3%	18,173	0.1%	0.1%
Bond	\$250,534	55	0.1%	52,400	0.4%	-0.3%
Brown	\$29,007	94	0.0%	6,593	0.1%	0.0%
Bureau	\$577,291	34	0.2%	34,795	0.3%	-0.1%
Calhoun	\$534,207	35	0.2%	5,076	0.0%	0.2%
Carroll	\$66,526	87	0.0%	15,878	0.1%	-0.1%
Cass	\$138,124	75	0.1%	13,575	0.1%	-0.1%
Champaign	\$3,306,964	9	1.2%	192,135	1.5%	-0.3%
Christian	\$437,380	42	0.2%	34,543	0.3%	-0.1%
Clark	\$162,637	72	0.1%	16,778	0.1%	-0.1%
Clay	\$42,997	92	0.0%	13,729	0.1%	-0.1%
Clinton	\$127,603	79	0.0%	36,235	0.3%	-0.2%
Coles	\$1,371,487	22	0.5%	52,144	0.4%	0.1%
Cook	\$149,373,002	1	51.4%	5,257,001	41.8%	9.6%
Crawford	\$178,151	69	0.1%	19,545	0.2%	-0.1%
Cumberland	\$4,826	100	0.0%	10,802	0.1%	-0.1%
DeKalb	\$2,093,480	16	0.8%	104,279	0.8%	0.0%
DeWitt	\$355,619	47	0.1%	16,290	0.1%	0.0%
Douglas	\$215,712	64	0.1%	19,436	0.2%	-0.1%
DuPage	\$18,316,130	3	6.5%	925,530	7.4%	-0.8%
Edgar	\$391,657	45	0.1%	18,750	0.1%	0.0%
Edwards	\$9,204	97	0.0%	6,526	0.1%	0.0%
Effingham	\$277,788	53	0.1%	34,329	0.3%	-0.2%
Fayette	\$163,721	71	0.1%	21,015	0.2%	-0.1%
Ford	\$229,744	60	0.1%	13,968	0.1%	0.0%
Franklin	\$218,214	63	0.1%	39,301	0.3%	-0.2%
Fulton	\$188,617	67	0.1%	36,860	0.3%	-0.2%
Gallatin	\$23,100	96	0.0%	5,921	0.0%	0.0%
Greene	\$248,271	56	0.1%	13,765	0.1%	0.0%
Grundy	\$648,685	33	0.2%	46,513	0.4%	-0.1%
Hamilton	\$53,085	90	0.0%	8,186	0.1%	0.0%
Hancock	\$178,507	68	0.1%	18,720	0.1%	-0.1%
Hardin	\$31,005	93	0.0%	4,470	0.0%	0.0%
Henderson	\$59,621	89	0.0%	7,550	0.1%	0.0%
Henry	\$507,443	37	0.2%	49,523	0.4%	-0.2%
Iroquois	\$650,078	32	0.2%	30,017	0.2%	0.0%
Jackson	\$325,916	49	0.1%	58,526	0.5%	-0.3%
Jasper	\$111,122	84	0.0%	9,645	0.1%	0.0%
Jefferson	\$309,564	51	0.1%	40,063	0.3%	-0.2%
Jersey	\$238,772	57	0.1%	22,412	0.2%	-0.1%
JoDaviess	\$191,534	66	0.1%	22,160	0.2%	-0.1%
Johnson	\$0	101	0.0%	13,653	0.1%	-0.1%
Kane	\$6,895,824	4	2.4%	494,371	3.9%	-1.5%

Source: Office of the Comptroller, U.S. Census Bureau, CGFA

Table 4. Estate Tax Revenue by County

FY 2006 - FY 2010 Average						
County	Estate Tax Revenue	Rank	% of Toal Revenue	Population	% of Toal Population	Difference of % Estate Tax Revenue to % Population
Kankakee	\$1,629,645	19	0.5%	111,244	0.9%	-0.3%
Kendall	\$1,755,086	17	0.6%	94,070	0.7%	-0.1%
Knox	\$512,193	36	0.2%	52,077	0.4%	-0.2%
Lake	\$38,668,348	2	13.3%	702,558	5.6%	7.7%
LaSalle	\$1,105,922	24	0.4%	112,293	0.9%	-0.5%
Lawrence	\$3,216,016	11	1.3%	16,550	0.1%	1.1%
Lee	\$233,319	59	0.1%	34,994	0.3%	-0.2%
Livingston	\$740,704	28	0.2%	37,965	0.3%	-0.1%
Logan	\$437,081	43	0.2%	29,942	0.2%	-0.1%
Macon	\$1,661,294	18	0.6%	32,907	0.3%	0.4%
Macoupin	\$463,948	40	0.2%	312,946	2.5%	-2.3%
Madison	\$2,604,157	14	0.9%	163,686	1.3%	-0.4%
Marion	\$725,280	29	0.3%	108,772	0.9%	-0.6%
Marshall	\$257,516	54	0.1%	48,148	0.4%	-0.3%
Mason	\$442,835	41	0.2%	266,886	2.1%	-2.0%
Massac	\$109,882	85	0.0%	39,488	0.3%	-0.3%
McDonough	\$200,059	65	0.1%	12,831	0.1%	0.0%
McHenry	\$3,254,936	10	1.1%	15,075	0.1%	1.0%
McLean	\$3,805,160	7	1.3%	15,081	0.1%	1.2%
Menard	\$111,430	83	0.0%	12,460	0.1%	-0.1%
Mercer	\$141,658	74	0.1%	16,440	0.1%	-0.1%
Monroe	\$1,283,017	23	0.4%	32,358	0.3%	0.2%
Montgomery	\$402,545	44	0.1%	29,782	0.2%	-0.1%
Morgan	\$720,068	30	0.3%	35,300	0.3%	0.0%
Moultrie	\$119,844	81	0.0%	14,344	0.1%	-0.1%
Ogle	\$478,113	38	0.2%	54,841	0.4%	-0.3%
Peoria	\$3,119,543	12	1.0%	183,474	1.5%	-0.5%
Perry	\$93,169	86	0.0%	22,542	0.2%	-0.1%
Piatt	\$235,988	58	0.1%	16,499	0.1%	0.0%
Pike	\$221,925	62	0.1%	16,484	0.1%	0.0%
Pope	\$44,862	91	0.0%	4,071	0.0%	0.0%
Pulaski	\$0	101	0.0%	6,430	0.1%	-0.1%
Putnam	\$853,294	25	0.3%	5,977	0.0%	0.3%
Randolph	\$335,924	48	0.1%	32,851	0.3%	-0.1%
Richland	\$293,663	52	0.1%	15,621	0.1%	0.0%
Rock Island	\$2,340,914	15	0.8%	146,670	1.2%	-0.4%
Saline	\$223,689	61	0.1%	261,268	2.1%	-2.0%
St. Claire	\$5,194,924	6	1.7%	25,906	0.2%	1.5%
Sangamon	\$3,609,306	8	1.2%	194,049	1.5%	-0.4%
Schuyler	\$65,486	88	0.0%	6,917	0.1%	0.0%
Scott	\$26,943	95	0.0%	5,238	0.0%	0.0%
Shelby	\$128,220	78	0.0%	21,854	0.2%	-0.1%
Stark	\$124,854	80	0.0%	6,076	0.0%	0.0%
Stephenson	\$357,784	46	0.1%	46,821	0.4%	-0.2%
Tazewell	\$806,468	27	0.3%	130,789	1.0%	-0.7%

Source: Office of the Comptroller, U.S. Census Bureau, CGFA

Table 4. Estate Tax Revenue by County

FY 2006 - FY 2010 Average						
County	Estate Tax Revenue	Rank	% of Toal Revenue	Population	% of Toal Population	Difference of % Estate Tax Revenue to % Population
Union	\$6,824	99	0.0%	18,078	0.1%	-0.1%
Vermillion	\$1,536,466	20	0.6%	80,926	0.6%	-0.1%
Wabash	\$149,970	73	0.0%	12,199	0.1%	0.0%
Warren	\$315,966	50	0.1%	17,551	0.1%	0.0%
Washington	\$128,459	77	0.0%	14,725	0.1%	-0.1%
Wayne	\$468,961	39	0.2%	16,505	0.1%	0.0%
White	\$134,111	76	0.1%	14,772	0.1%	-0.1%
Whiteside	\$1,460,707	21	0.6%	50,197	0.4%	0.2%
Will	\$6,499,191	5	2.2%	536,111	4.2%	-2.0%
Williamson	\$169,595	70	0.1%	54,468	0.4%	-0.4%
Winnebago	\$2,829,328	13	1.0%	240,208	1.9%	-0.9%
Woodford	\$114,088	82	0.0%	33,440	0.3%	-0.2%
State-Total	\$288,034,983	n/a	100%	12,578,089	100%	0.0%

Comparing State Death and Gift Tax Revenues

To compare the State of Illinois with the other states, the Commission examined available data from the U.S. Census Bureau for 2010. The Commission compared and ranked the States based on:

1. Total Taxes,
2. Death and Gift Tax Revenues,
3. The percentage of Total Taxes Collected that were made up by Death and Gift Taxes,
4. The amount of Death and Gift Taxes per Capita, and
5. The amount of Death and Gift Taxes per Death.

The combined death and gift taxes data was used as it was the best data readily available and the Commission believes that the added gift taxes does not alter the results significantly when the 20 states that collected estate or inheritance taxes in 2010 were compared.

Table 5 on pages 21 and 22 show the results for all of this analysis.

Total Taxes

States collected over \$702 billion in taxes in 2010. The largest amount, \$105 billion, was collected by California. New York was next highest at \$64 billion. Texas and Florida followed at \$39 billion and \$31 billion, respectively. Illinois ranked 6th in total taxes collected at \$28 billion. South Dakota raised the least amount of tax revenue at just over \$1 billion. These results generally follow population trends as each of the states listed above matches their rank in population were within one of their population rank except for South Dakota which was last in taxes collected but 46th in population.

Death and Gift Tax Revenue

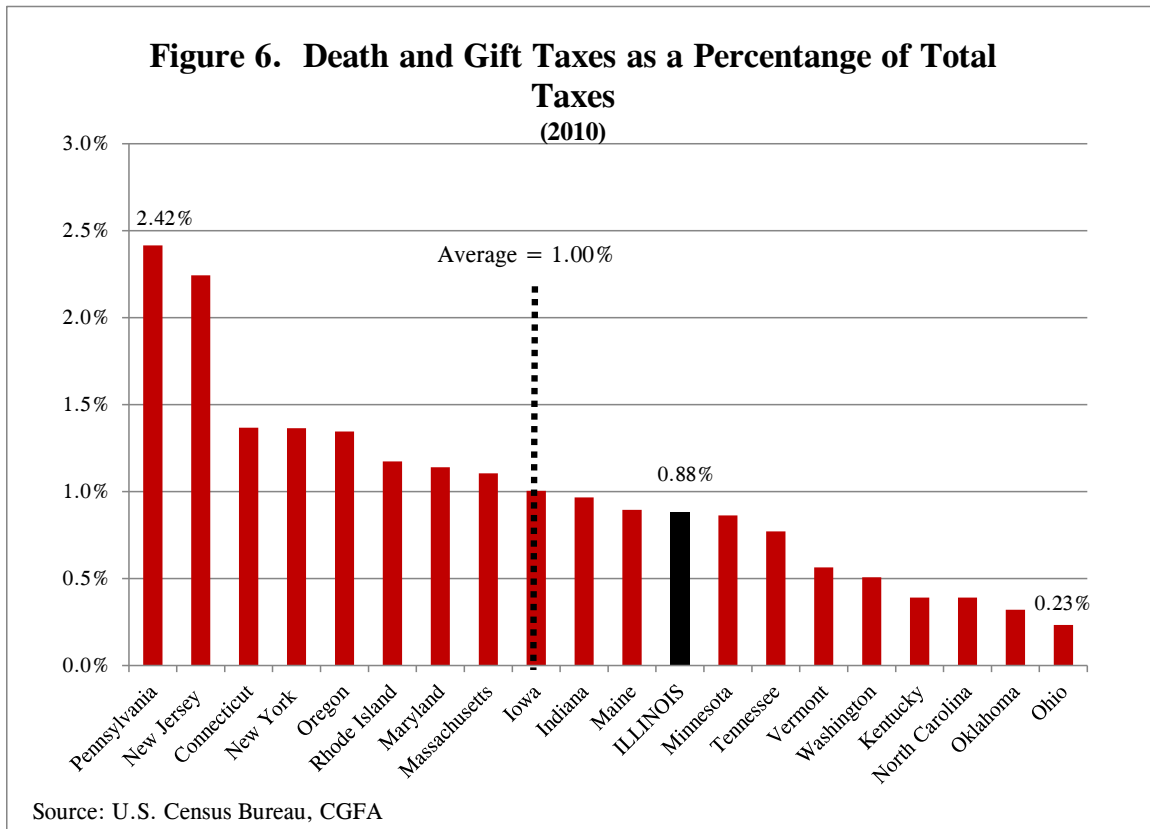
According to the Census Bureau, in 2010, 45 states collected some form of death or gift tax. A total of over \$3.8 billion in death and gift taxes were collected by States in 2010. Of these 45 states, 20 collected at least one of a separate estate tax, a pick-up tax, or an inheritance tax. The state to collect the most death and gift taxes was New York who collected over \$866 million. New York was followed by Pennsylvania (\$729 million) and New Jersey (\$582 million). Illinois had the fourth highest total death and gift taxes at \$243 million. The only states that didn't collect death or gift taxes were California, Georgia, Hawaii, Michigan, and New Hampshire.

Death and Gift Tax Revenue as a Percentage of Total Taxes

Pennsylvania's death and gift taxes made up the largest proportion of their tax base at over 2.4%. The only other state that had death and gift taxes making up more than 2% of total taxes was New Jersey at 2.24%. Illinois' estate tax revenue comprised 0.88% of the over \$27.5 billion in total taxes collected. This ranked Illinois 12th amongst the 45 states that collected death and gift taxes. While Illinois' total taxes and death and estate tax total were in the top six of each category. Illinois' death and gift taxes as a percentage were lower ranked, though still in the upper half.

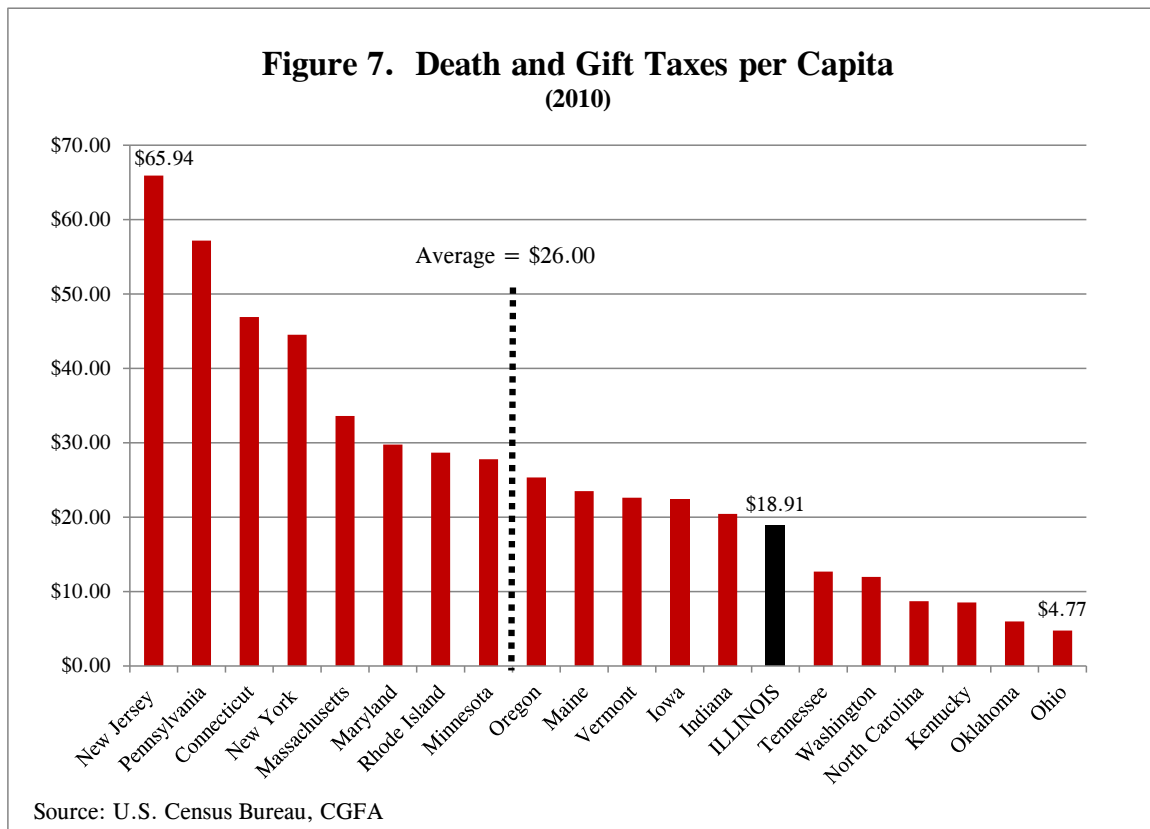
A more representative comparison would be that Illinois was 12th out of the 20 states that had similar estate or inheritance taxes in 2010 which would put it below the mid-point of states. The average of those states that collected a comparable estate or inheritance tax was 1.00%.

Figure 6 below illustrates the range of values for the 20 states that had comparable estate or inheritance taxes in 2010.



Death and Gift Taxes per Capita

New Jersey had the highest death and gift tax revenue per capita with almost \$66 per person in 2010. Pennsylvania was the second highest at \$57.19 per person, while Connecticut was third with \$46.91. Illinois averaged \$18.91 per person which was the 14th highest rated state. Illinois is in the upper half when comparing to all states that collect death taxes or gift taxes but again in the lower half when comparing to only states that collect an estate or inheritance tax. Of the states that collect estate or inheritance taxes, the average amount collected per capita was \$26.00.



Death and Gift Taxes per Death

Once again New Jersey had the highest death and gift tax revenue per death with just over \$8,500 per death in 2010. The next three states were Connecticut, New York, and Pennsylvania at just under \$6,000 per death. Illinois was the 13th highest at just over \$2,400 per death. States with estate and inheritance taxes comparable to Illinois averaged \$3,165 per death. Similar to death and gift taxes as a percentage of total taxes and death and gift taxes per capita, Illinois is just below the mid-point of these 21 states.

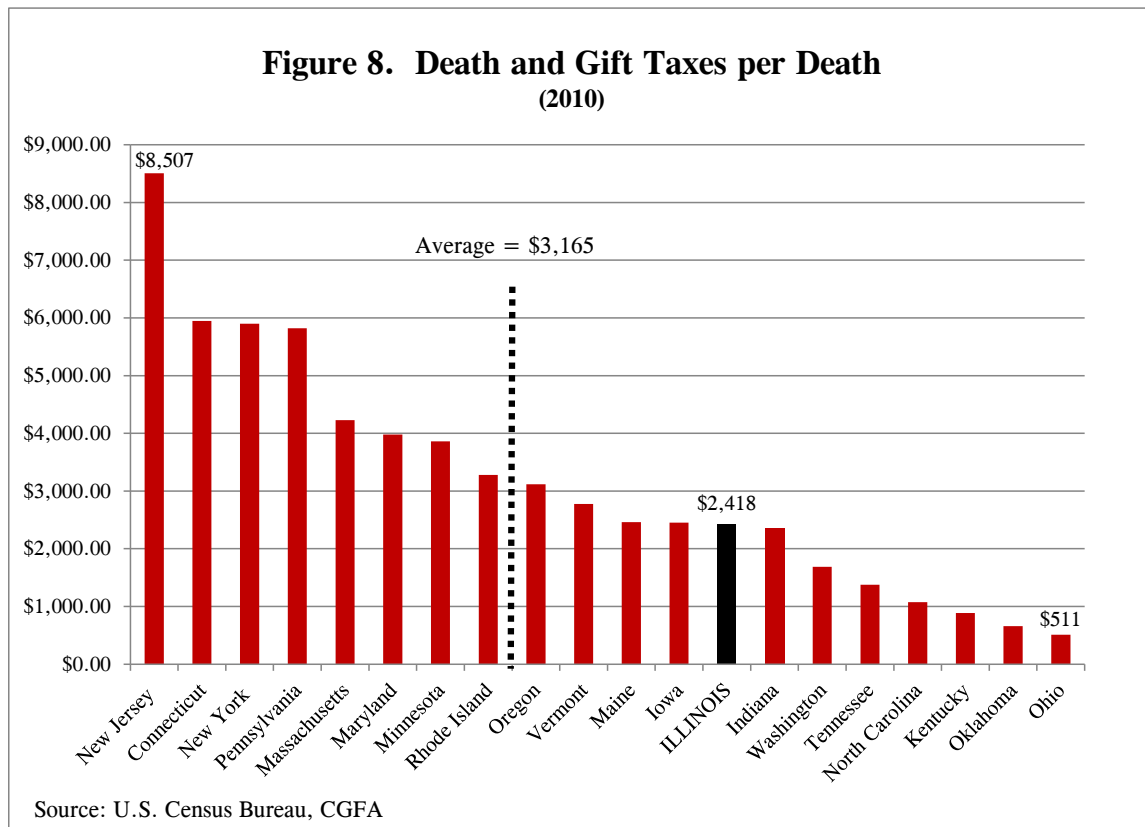


Table 5. Comparison of Death and Gift Taxes by State

(2010)

State	Total Taxes (Millions)	Rank	Death/Gift Taxes (Millions)	Rank	% of Total Taxes	Rank	Population (Millions)	Rank	Death Taxes Per Capita	Rank	Deaths (Thousands)	Rank	Death Taxes Per Death	Rank
United States	\$702,221	n/a	\$3,890.36	n/a	0.55%	n/a	311.6	n/a	\$12.49	n/a	3,046	n/a	\$1,277	n/a
Alabama	\$8,186	26	\$0.10	33	0.00%	40	4.8	23	\$0.02	40	48	40	\$2	40
Alaska	\$4,518	38	\$0.09	35	0.00%	34	0.7	47	\$0.12	29	3	25	\$26	25
Arizona	\$10,199	21	\$0.35	26	0.00%	29	6.5	16	\$0.05	30	46	30	\$8	30
Arkansas	\$7,279	29	\$0.09	34	0.00%	38	2.9	32	\$0.03	37	28	39	\$3	39
California	\$104,841	1	\$0.00	46	0.00%	46	37.7	1	\$0.00	46	234	46	\$0	46
Colorado	\$8,586	25	\$0.12	31	0.00%	36	5.1	22	\$0.02	38	31	38	\$4	38
Connecticut	\$12,286	19	\$167.98	7	1.37%	3	3.6	29	\$46.91	3	28	2	\$5,947	2
Delaware	\$2,770	43	\$0.23	29	0.01%	27	0.9	45	\$0.25	24	8	24	\$30	24
Florida	\$31,499	4	\$3.30	23	0.01%	25	19.1	4	\$0.17	27	171	28	\$19	28
Georgia	\$14,783	16	\$0.00	46	0.00%	46	9.8	9	\$0.00	46	71	46	\$0	46
Hawaii	\$4,838	36	\$0.00	46	0.00%	46	1.4	40	\$0.00	46	10	46	\$0	46
Idaho	\$2,952	42	\$0.28	27	0.01%	26	1.6	39	\$0.18	25	11	26	\$25	26
ILLINOIS	\$27,512	6	\$243.38	4	0.88%	12	12.9	5	\$18.91	14	101	13	\$2,418	13
Indiana	\$13,796	18	\$133.21	9	0.97%	10	6.5	15	\$20.44	13	56	14	\$2,358	14
Iowa	\$6,809	31	\$68.36	14	1.00%	9	3.1	30	\$22.32	12	28	12	\$2,451	12
Kansas	\$6,493	32	\$8.40	21	0.13%	21	2.9	33	\$2.92	21	24	21	\$349	21
Kentucky	\$9,531	23	\$37.20	16	0.39%	17	4.4	26	\$8.51	18	42	18	\$887	18
Louisiana	\$8,758	24	\$1.75	24	0.02%	23	4.6	25	\$0.38	23	41	23	\$43	23
Maine	\$3,490	41	\$31.21	17	0.89%	11	1.3	41	\$23.50	10	13	11	\$2,460	11
Maryland	\$15,224	15	\$173.46	6	1.14%	7	5.8	19	\$29.76	6	44	6	\$3,978	6
Massachusetts	\$20,050	11	\$221.38	5	1.10%	8	6.6	14	\$33.61	5	52	5	\$4,228	5
Michigan	\$22,206	9	\$0.00	46	0.00%	46	9.9	8	\$0.00	46	87	46	\$0	46
Minnesota	\$17,209	12	\$148.42	8	0.86%	13	5.3	21	\$27.77	8	38	7	\$3,862	7
Mississippi	\$6,269	33	\$0.04	42	0.00%	42	3.0	31	\$0.01	42	29	43	\$1	43
Missouri	\$9,708	22	\$0.25	28	0.00%	30	6.0	18	\$0.04	34	54	35	\$5	35
Montana	\$2,143	47	\$0.05	41	0.00%	32	1.0	44	\$0.05	33	9	32	\$6	32
Nebraska	\$3,809	40	\$0.07	38	0.00%	35	1.8	38	\$0.04	36	15	36	\$5	36
Nevada	\$5,836	34	\$0.00	46	0.00%	46	2.7	35	\$0.00	46	19	46	\$0	46
New Hampshire	\$2,125	48	\$0.05	40	0.00%	31	1.3	42	\$0.04	35	10	33	\$5	33
New Jersey	\$25,928	7	\$581.62	3	2.24%	2	8.8	11	\$65.94	1	68	1	\$8,507	1

Source: U.S. Census Bureau, CGFA

Table 5. Comparison of Death and Gift Taxes by State

(2010)

State	Total Taxes (Millions)	Rank	Death/Gift Taxes (Millions)	Rank	% of Total Taxes	Rank	Population (Millions)	Rank	Death Taxes Per Capita	Rank	Deaths (Thousands)	Death Taxes Per Death	Rank
New Mexico	\$4,414	39	\$0.01	45	0.00%	45	2.1	36	\$0.00	44	16	\$1	44
New York	\$63,529	2	\$866.38	1	1.36%	4	19.5	3	\$44.51	4	147	\$5,899	3
North Carolina	\$21,517	10	\$83.98	11	0.39%	18	9.7	10	\$8.70	17	78	\$1,074	17
North Dakota	\$2,646	44	\$0.01	44	0.00%	43	0.7	48	\$0.01	43	6	\$2	42
Ohio	\$23,584	8	\$55.02	15	0.23%	20	11.5	7	\$4.77	20	108	\$511	20
Oklahoma	\$7,080	30	\$22.70	19	0.32%	19	3.8	28	\$5.99	19	35	\$657	19
Oregon	\$7,289	28	\$98.03	10	1.34%	5	3.9	27	\$25.32	9	31	\$3,117	9
Pennsylvania	\$30,169	5	\$728.71	2	2.42%	1	12.7	6	\$57.19	2	125	\$5,823	4
Rhode Island	\$2,569	45	\$30.13	18	1.17%	6	1.1	43	\$28.66	7	9	\$3,279	8
South Carolina	\$7,313	27	\$0.07	37	0.00%	41	4.7	24	\$0.02	41	41	\$2	41
South Dakota	\$1,304	50	\$0.14	30	0.01%	24	0.8	46	\$0.17	26	7	\$21	27
Tennessee	\$10,514	20	\$81.09	13	0.77%	14	6.4	17	\$12.66	15	59	\$1,377	16
Texas	\$39,399	3	\$0.08	36	0.00%	44	25.7	2	\$0.00	45	165	\$0	45
Utah	\$5,092	35	\$0.06	39	0.00%	39	2.8	34	\$0.02	39	14	\$4	37
Vermont	\$2,511	46	\$14.17	20	0.56%	15	0.6	49	\$22.61	11	5	\$2,776	10
Virginia	\$16,411	13	\$5.67	22	0.03%	22	8.1	12	\$0.70	22	59	\$96	22
Washington	\$16,106	14	\$81.72	12	0.51%	16	6.8	13	\$11.96	16	48	\$1,687	15
West Virginia	\$4,655	37	\$0.10	32	0.00%	33	1.9	37	\$0.05	31	22	\$5	34
Wisconsin	\$14,369	17	\$0.87	25	0.01%	28	5.7	20	\$0.15	28	46	\$19	29
Wyoming	\$2,117	49	\$0.03	43	0.00%	37	0.6	50	\$0.05	32	4	\$6	31

Source: U. S. Census Bureau, CGFA

Conclusion

Illinois has collected an estate tax since 1949. At that time the State collected both an inheritance tax and an estate tax. The State abolished the inheritance tax in 1983. Originally, the tax rate was set at 80% of the Federal estate tax, minus state inheritance tax due. In 1955, the law was changed and the payment rate was set at an amount equal to the maximum state tax credit allowed under federal law.

In 2001, Congress passed the Economic Growth and Tax Relief Reconciliation Act. Under this new law, the state tax credit was phased out by calendar year 2005. Illinois, as a result of this law change, was set to lose approximately \$300 million a year in estate tax revenue. Illinois decoupled from the federal state tax credit in order to preserve the estate tax revenue stream. Illinois, when decoupling, did allow the maximum exemption, or the amount that could pass tax free to increase in accordance with the Federal law up to \$2 million.

Illinois' estate tax was repealed in 2010 due to a recoupling to the defunct state tax credit in Federal law. The estate tax was reenacted for 2011 by enforcing the tax as the Federal law was constituted in 2001 as related to the state tax credit. The exemption level was raised to \$3.5 million in 2012 and is scheduled to rise to \$4 million 2013.

Illinois residents file estate tax claims with the Office of Attorney General, either in Chicago or Springfield. Monies collected as a result of the estate tax is placed into the General Revenue Fund. Six percent of that total is then transferred into the Estate Tax Collection Distribution Fund and paid back to the counties in which the claim was filed.

Cook County is the largest county in the State making up roughly 41.8% of the population. Not surprisingly, Cook County also generates a majority of estate tax revenues. Historically, Cook County collects around 50% of total estate tax revenue, and since FY 2006, has collected \$806 million in estate tax revenue.

The second largest estate tax revenue source is the "Collar Counties" which includes DuPage, Lake, Kane, McHenry and Will Counties. The Collar Counties comprise 21.2% of the State's population and approximately 25.6% of overall estate tax revenues. Lake County collects the most estate tax of the Collar Counties. The remaining counties outside Cook and the Collar Counties generally bring an average of \$65 million per year in estate tax revenues.

When comparing Illinois to other states that collect estate or inheritance taxes, Illinois comes in middle of the pack. Illinois' death taxes as a percentage of total taxes collected was 12th out of the 20 states. Illinois collected \$18.91 per capita (14th out of 20) and \$3,165 per death (13th out of 20) in estate taxes.

APPENDIX I. Illinois Tax Return Form 700

FORM 700

STATE OF ILLINOIS ESTATE & GENERATION SKIPPING TRANSFER TAX RETURN FOR DECEDENTS DYING ON OR AFTER JANUARY 1, 2012

Estate of:		Date of Death
Decedent's Address (No. & Street):		
City	State	Zip Code
Decedent's Social Security Number:	Name of Illinois County with Jurisdiction over Estate:	
Name of Personal Representative or Person Filing Return:		Telephone:
Address (No. & Street):		
City	State	Zip Code
Name of Preparer:		Telephone:
Address (No. & Street):		
City	State	Zip Code

Indicate which of the following SIX is applicable:

1. Neither a Federal Estate Tax Return nor Illinois Estate Tax Return is required to be filed, but a Certificate of Discharge is requested.

- a) Assets with taxable situs in Illinois
- b) Assets with taxable situs in another state or states
- c) TOTAL Gross Value of Decedent's Assets

	\$
	\$
	\$

Attach itemized schedule of assets wherever located. Gross value means the total of the assets undiminished by mortgages, liens or other encumbrances upon such assets for which decedent was personally liable.

2. A Federal Estate Tax Return is attached, but **no** Illinois Estate Tax is due. A Certificate of Discharge is requested.

APPENDIX I (continued)

3. A Federal Estate Tax Return or any other form containing the same information is attached (whether or not a Federal Estate Tax is due), and an Illinois Estate Tax is due. A Certificate of Discharge is requested. *(Complete Recapitulation and Schedule A or B, whichever is applicable.)*

4. An Illinois QTIP election is made for this estate.
 Amount of Illinois QTIP election \$

Social Security Number of surviving spouse _____

5. This is an Amended or Supplemental Return.
(Complete Recapitulation and Schedule A or B, whichever is applicable, and attach copy of amended Federal Estate Tax Return or other applicable documents.)

Decedent was:	
<input type="checkbox"/> a) a resident of Illinois, Year residency established	a)
<input type="checkbox"/> b) a non-resident of Illinois, Year residency established	b)
<input type="checkbox"/> c) an alien, State of residence	c)

Due date of this Return: _____

6. If an extension of time to file is being requested or if due date determined by extension of time to file Federal Estate Tax Return, check box and attach explanation for extension request or a copy of the Federal extension request. If based upon a Federal extension request, file a copy of approved extension request when available. This extension request should be filed within 9 months of date of death.

The undersigned declare, under penalties of perjury, that they have examined this return, including any and all accompanying schedules or attachments, and that they believe the same to be true and correct as to every material matter and further verify that any attached Federal Estate Tax Return and any other applicable Federal tax documents are true and corrected copies of the originals filed with the Internal Revenue Service.

The undersigned further certify that the attached Will (if decedent died testate) is a true and correct copy of the Will of the decedent.

Signature of decedent's personal representative Title Date

Signature of preparer Title Date

NOTE: *All attachments must be filed with the Attorney General's copy of the return. If a Certificate of Discharge is requested, a copy of the Form 700 must be filed with the appropriate County Treasurer.*

APPENDIX I (continued)

SCHEDULE A – Resident Decedent’s Estate (Instructions on page 5.)	
1. Tentative Taxable Estate from Federal Return (Line 3a, Form 706), or other form containing the same information	1. \$
2. Illinois QTIP election <i>(Additional amount in excess of Federal QTIP included in Line 2, Form 706, from this estate or from the previous QTIP election in the Spouse’s estate.)</i>	2. \$
3. Illinois Tentative Taxable Estate <i>(Line 1 minus Line 2 if the QTIP is elected in this estate; or line 1 plus line 2 if the QTIP was previously elected in the Spouse’s estate.)</i>	3. \$
4. Adjusted taxable gifts <i>(Line 4, Form 706, or any other form containing the same information.)</i>	4. \$
5. Illinois Tentative Taxable Estate plus adjusted taxable gifts <i>(Add Line 3 and Line 4.)</i>	5. \$
6. Full amount computed for Illinois Estate Tax from website calculator before apportionment <i>(Lines 3 & 5 from this Form 700 and applied to website calculator for interrelated calculation.)</i>	6. \$
7. Gross value for Federal Estate Tax purposes of decedent’s estate having taxable situs in Illinois	7. \$
8. Gross value of decedent’s estate for Federal Estate Tax purposes wherever located	8. \$
9. Percent of estate having taxable situs in Illinois <i>(Line 7 divided by Line 8.)</i>	9. %
10. Amount of tax attributable to Illinois <i>(Line 6 multiplied by Line 9. Also enter on Line 1 in Recapitulation.)</i>	10. \$
<p><i>With respect to the estate of a deceased resident of this State, all property included in the gross estate of the decedent for Federal Estate Tax purposes shall have a taxable situs in this State for purposes of this Section, excepting real estate and tangible personal property physically situated in another state (including any such property held in trust).</i></p>	
SCHEDULE B – Non-Resident or Alien Decedent’s Estate (Instructions on page 5.)	
1. Tentative Taxable Estate from Federal Return, or other equivalent form	1. \$
2. Illinois QTIP election <i>(Additional amount in excess of Federal QTIP included in Line 2, Form 706, from this estate or from the previous QTIP election in the Spouse’s estate.)</i>	2. \$
3. Illinois Tentative Taxable Estate <i>(Line 1 minus Line 2 if the QTIP is elected in this estate; or line 1 plus line 2 if the QTIP was previously elected in the Spouse’s estate.)</i>	3. \$
4. Adjusted taxable gifts <i>(Line 4, Form 706, or any other form containing the same information.)</i>	4. \$

APPENDIX I (continued)

SCHEDULE B – Non-Resident or Alien Decedent’s Estate (Continued.)	
5. Illinois Tentative Taxable Estate plus adjusted taxable gifts <i>(Add Line 3 and Line 4.)</i>	5. \$
6. Full amount computed for Illinois Estate Tax from website calculator before apportionment <i>(Lines 3 & 5 from this Form 700 and applied to website calculator for interrelated calculation.)</i>	6. \$
7. Gross value for Federal Estate Tax purposes of decedent’s estate having taxable situs in Illinois	7. \$
8. Gross value of decedent’s estate for Federal Estate Tax purposes wherever located	8. \$
9. Percent of estate having taxable situs in Illinois <i>(Line 7 divided by Line 8.)</i>	9. %
10. Amount of tax attributable to Illinois <i>(Line 6 multiplied by Line 9. Also enter on Line 1 in Recapitulation.)</i>	10. \$
<p><i>With respect to the estate of a decedent not a resident of this State but a resident of another state or territory of the United States, the property having a taxable situs in this state for purposes of this Section is only real estate and tangible personal property physically situated in this State (including any such property held in trust.)</i></p> <p><i>With respect to the estate of a decedent who is not a resident of a state or territory of the United States, the property having taxable situs in this State for purposes of this Section is real estate and tangible personal property situated or having a business situs in this State (including any such property held in trust) and intangible personal property having a business situs in or evidenced by instruments physically situated in this State.</i></p>	
RECAPITULATION	
1. Amount of tax payable to Illinois <i>(Schedule A Line 10 or Schedule B Line 10.)</i>	1. \$
2. Late filing penalty <i>(5% of tax for each month or portion thereof - maximum penalty 25%.)</i>	2. \$
3. Late payment penalty <i>(1/2 of 1% of tax for each month or portion thereof - maximum penalty 25%.)</i>	3. \$
4. Interest at 10% per annum from 9 months after death until date of payment	4. \$
5. Total Tax, penalties and interest payable <i>(Total of Lines 1, 2, 3 and 4.)</i>	5. \$
6. Prior Payment <i>(Attach explanation.)</i>	6. \$
7. Balance due <i>(Line 5 minus Line 6.)</i>	7. \$
<p>The estate elects to pay \$ _____ of Line 1 in installments under 35 ILCS 405/6 (supply proof of acceptance by Internal Revenue Service when available of Sec. 6166 election and file IL-4350a).</p>	

APPENDIX I (continued)

FILING AND PAYMENT INSTRUCTIONS

For decedents dying prior to 2012, see the Returns previously posted on this website covering the specific year of death at issue subject to taxation.

For persons dying in 2012, the Federal exemption for Federal estate tax purposes is \$5,120,000. However, the exemption equivalent for Illinois estate tax purposes is \$3,500,000. Therefore, tentative taxable estates with adjusted taxable gifts between \$3,500,000 and \$5,120,000 will owe an Illinois estate tax without any corresponding Federal estate tax liability. In such situations, the estate representative is to prepare and file the Illinois Estate Tax Return, Form 700, together with a Federal Form 706, Federal Estate Tax Return, or any other form containing the same information, even though the Federal return is not required to be filed with the Internal Revenue Service. The Federal Form 706 must include all schedules, appraisals, wills, trusts, attachments, etc. as the Federal Form 706 would have for a 2011 decedent with a tentative taxable estate plus adjusted taxable gifts over \$2,000,000. The Illinois estate tax will be determined by using the inter-related calculations from the 2012 Calculator available at www.illinoisattorneygeneral.gov. The computations are based upon using the amounts of the Illinois Tentative Taxable Estate (Line 3, Form 700) and the Illinois Tentative Taxable Estate plus Adjusted Taxable Gifts (Line 5, Form 700).

When the tentative taxable estate plus adjusted taxable gifts exceeds \$5,120,000 the Illinois Estate Tax Return, Form 700, is to be prepared and filed in the same manner for 2012 as for 2011, and must therefore include a copy of the Federal Form 706 with all attachments.

For both resident and non-resident decedents, the tax base will be calculated assuming all assets are located within Illinois. (Line 6, Schedule A or B, Form 700). The percentage of Illinois assets to total assets is then computed with the percentage applied to the tax base for apportionment purposes to determine the amount of Illinois estate tax due.

Illinois QTIP election (Qualified Terminable Interest Property):

For persons dying January 1, 2009 and after, the estate may make a QTIP election for Illinois purposes which is larger than the Federal QTIP election. The Illinois QTIP must be elected on the Illinois Return. The Illinois QTIP election will follow Federal statutes and rules for treatment of such elected property as passing to the surviving spouse and inclusion for Illinois purposes on any Illinois Estate Tax Return of the surviving spouse. The maximum Illinois QTIP election allowable for decedents dying in 2012 is \$1,620,000.

This return must be filed within nine (9) months of the date of death. For Cook, DuPage, Lake and McHenry Counties, file the original of the return with the Office of the Attorney General, Revenue Litigation Bureau, 100 West Randolph Street, 13th Floor, Chicago, Illinois 60601. For all other counties, file the original of the return with the Office of the Attorney General, Revenue Litigation Bureau, 500 South Second Street, Springfield, Illinois 62706. An additional copy of the return, without attachments, must also be filed with the County Treasurer of the County having jurisdiction over the estate.

ALL PAYMENTS OF ILLINOIS ESTATE TAXES, PENALTY AND INTEREST MUST BE MADE PAYABLE TO THE COUNTY TREASURER OF THE COUNTY HAVING JURISDICTION OVER THE ESTATE. IF THE DECEDENT IS A NON-RESIDENT AND HAS PROPERTY IN MORE THAN ONE COUNTY, PAYMENT OF ALL TAX SHOULD BE MADE TO THE COUNTY HAVING THE GREATEST VALUE OF PROPERTY.

ALL PAYMENTS MUST BE MAILED TO OR DEPOSITED WITH THE COUNTY TREASURER IN ORDER TO BE CREDITED WITH TIMELY PAYMENT. Please send a copy of the County Treasurer's receipt to: Office of the Attorney General, Revenue Litigation Bureau, 100 West Randolph Street, 13th Floor, Chicago, Illinois 60601, or the Office of the Attorney General, Revenue Litigation Bureau, 500 South Second Street, Springfield, Illinois 62706, as appropriate.



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STATE OF ILLINOIS ESTATE & GENERATION SKIPPING TRANSFER TAX RETURN - PAGE 5

APPENDIX II. County Treasurer's Addresses

Adams County Treasurer
507 Vermont Street
Quincy, Illinois 62301

Alexander County Treasurer
2000 Washington
Cairo, IL 62914

Bond County Treasurer
203 W. College
Greenville, IL 62246

Boone County Treasurer
1212 Logan Ave., Suite 104
Belvidere, IL 61008-4033

Brown County Treasurer
200 Court St., Rm. 2
Mt. Sterling, IL 62353

Bureau County Treasurer
700 S. Main St.
Princeton, IL 61356

Calhoun County Treasurer
P.O. Box 306
Hardin, IL 62047

Carroll County Treasurer
P.O. Box 199
Mt. Carroll, IL 61053

Cass County Treasurer
100 E. Springfield St.
Virginia, IL 62691

Champaign County Treasurer
1776 East Washington Street
Urbana, Illinois 61802

Christian County Treasurer
P.O. Box 199
Taylorville, Illinois 62568

Clark County Treasurer
501 Archer Ave.
Marshall, IL 62441

Clay County Treasurer
P.O. Box 88
Louisville, IL 62858

Clinton County Treasurer
850 Fairfax, Rm. 130
P.O. Box 174
Carlyle, IL 62231

Coles County Treasurer
P.O. Box 346
Charleston, IL 61920

Cook County Treasurer
118 N. Clark St., Rm. 212
Chicago, IL 60602

Crawford County Treasurer
100 Douglas Street
P.O. Box 204
Robinson, IL 62454

Cumberland County Treasurer
P.O. Box 70
Toledo, IL 62468

DeKalb County Treasurer
110 East Sycamore Street
Sycamore, Illinois 60178

DeWitt County Treasurer
201 West Washington Street
Clinton, Illinois 61727

Douglas County Treasurer
401 S. Center St., POB 320
Tuscola, IL 61953

DuPage County Treasurer
421 N. County Farm Rd.
Wheaton, IL 60187

Edgar County Treasurer
111 North Central
Paris, IL 61944

Edwards County Treasurer
50 East Main Street
Albion, IL 62806

Effingham County Treasurer
101 N. 4th St., Suite 202
P.O. Box 399
Effingham, IL 62401

Fayette County Treasurer
221 S. 7th St., Rm. 105
Vandalia, IL 62471

Ford County Treasurer
P.O. Box 92
Paxton, IL 60957

Franklin County Treasurer
Public Square, P.O. Box 967
Benton, IL 62812

Fulton County Treasurer
100 North Main
Lewistown, IL 61542

Gallatin County Treasurer
484 N. Lincoln Blvd., W
P.O. Box 310
Shawneetown, IL 62984

Greene County Treasurer
519 North Main St.
Carrollton, IL 62016

Grundy County Treasurer
111 East Washington Street
Morris, Illinois 60450

Hamilton County Treasurer
100 South Jackson St.
McLeansboro, IL 62859

Hancock County Treasurer
Box 248
Carthage, IL 62321

Hardin County Treasurer
P.O. Box 38
Elizabethtown, IL 62931

Henderson County Treasurer
P.O. Box 578
Oquawka, IL 61469

Henry County Treasurer
307 West Center St.
Cambridge, IL 61238

Iroquois County Treasurer
1001 East Grant
Wateka, IL 60970

Jackson County Treasurer
1001 Walnut
Murphysboro, IL 62966

APPENDIX II (continued)

Jasper County Treasurer
P.O. Box 107
Newton, IL 62448

Jefferson County Treasurer
100 S. 10th St., Rm. 100
Mt. Vernon, IL 68264

Jersey County Treasurer
200 North Lafayette
Jerseyville, IL 62052

JoDaviess County Treasurer
330 North Bench St.
Galena, IL 61036

Johnson County Treasurer
P.O. Box 38
Vienna, IL 62995

Kane County Treasurer
719 South Batavia Ave., Bldg A
Geneva, Illinois 60134

Kankakee County Treasurer
192 N. East Ave.
Kankakee, IL 60901

Kendall County Treasurer
111 West Fox St.
Yorkville, IL 60560

Knox County Treasurer
200 S. Cherry St.
Galesburg, IL 61401

Lake County Treasurer
18 N. County St., 1st Floor
Room 102
Waukegan, IL 60085

LaSalle County Treasurer
707 East Etna Road
Ottawa, Illinois 61350

Lawrence County Treasurer
1106 Jefferson St.
Lawrenceville, IL 62439

Lee County Treasurer
P.O. Box 328
Dixon, IL 61021

Livingston County Treasurer
112 West Madison St.
Pontiac, IL 61764

Logan County Treasurer
601 Broadway, Box 400
Lincoln, IL 62656

Macon County Treasurer
141 S. Main, Rm. 302
Decatur, IL 62523

Macoupin County Treasurer
P.O. Box 20
Carlinville, IL 62626

Madison County Treasurer
157 N. Main St., Suite 125
Edwardsville, IL 62025

Marion County Treasurer
P.O. Box 907
Salem, IL 62881

Marshall County Treasurer
122 North Prairie, POB 328
Lacon, IL 61540

Mason County Treasurer
125 North Plum
Havana, IL 62644

Massac County Treasurer
1 Superman Sq., Rm. 2C
Metropolis, IL 62960

McDonough County Treasurer
1 Courthouse Square
Macomb, IL 61455

McHenry County Treasurer
2200 N. Seminary Ave.
Woodstock, IL 60098

McLean County Treasurer
115 East Washington St.
Room M104
Bloomington, Illinois 61702

Menard County Treasurer
102 South 7th Street
P.O. Box 436
Petersburg, IL 62675

Mercer County Treasurer
100 S.E. 3rd St., POB 228
Aledo, IL 61231

Monroe County Treasurer
100 S. Main St.
Waterloo, IL 62298

Montgomery County Treasurer
1 Courthouse Square, Rm 101
Hillsboro, Illinois 62049

Morgan County Treasurer
300 West State Street
Jacksonville, IL 62650

Moultrie County Treasurer
10 South Main, Ste. 10
Sullivan, IL 61951

Ogle County Treasurer
P.O. Box 40
Oregon, IL 61061

Peoria County Treasurer
324 Main St., Rm. G15
Peoria, IL 61602

Perry County Treasurer
P.O. Box 158
Pinckneyville, IL 62274

Piatt County Treasurer
101 W. Washington, POB 116
Monticello, IL 61856

Pike County Treasurer
100 E. Washington St.
Pittsfield, IL 62363

Pope County Treasurer
P.O. Box 175
Golconda, IL 62938

Pulaski County Treasurer
500 Illinois Ave.
Mound City, IL 62963

Putnam County Treasurer
120 North 4th Street
P.O. Box 235
Hennepin, Illinois 61327

APPENDIX II (continued)

Randolph County Treasurer
1 Taylor St., Rm. 205
Chester, IL 62233

Richland County Treasurer
103 West Main Street
Olney, Illinois 62450

Rock Island County Treasurer
1504-3rd Ave.
Rock Island, IL 61201

Saline County Treasurer
10 E. Poplar St., Suite 21
Harrisburg, IL 62946

Sangamon County Treasurer
200 S. Ninth St., Rm. 102
Springfield, IL 62701

Schuyler County Treasurer
P.O. Box 197
Rushville, IL 62681

Scott County Treasurer
35 East Market St.
Winchester, IL 62694

Shelby County Treasurer
301 East Main Street
P.O. Box 326
Shelbyville, IL 62565

St. Clair County Treasurer
10 Public Square
Belleville, IL 62220

Stark County Treasurer
130 W. Main St., POB 309
Toulon, IL 61483

Stephenson County Treasurer
50 West Douglas St., Suite 500
Freeport, IL 61032

Tazewell County Treasurer
11 South 4th St., Rm. 308
Pekin, IL 61554

Union County Treasurer
309 W. Market, Rm. 100
Jonesboro, IL 62952

Vermilion County Treasurer
6 North Vermillion St.
Danville, IL 61832

Wabash County Treasurer
P.O. Box 428
Mt. Carmel, IL 62863

Warren County Treasurer
100 West Broadway
Monmouth, Illinois 61462

Washington County Treasurer
101 E. St. Louis St.
Nashville, IL 62263

Wayne County Treasurer
307 East Main St.
Fairfield, IL 62837

White County Treasurer
301 E. Main St. P.O. Box 369
Carmi, IL 62821

Whiteside County Treasurer
200 East Knox
Morrison, IL 61270

Will County Treasurer
302 North Chicago Street
Joliet, Illinois 60432

Williamson County Treasurer
200 West Jefferson St.
Marion, IL 62959

Winnebago County Treasurer
404 Elm St., Rm. 205
Rockford, IL 61101

Woodford County Treasurer
115 N. Main, Rm. 105
Eureka, IL 6153

APPENDIX III

CREDIT FOR STATE DEATH TAXES

The table below is to be used in calculating the amount of the Illinois Estate Tax.

Adjusted Taxable Estate*		Credit =	+	%	Of excess over
At least	But less than				
\$ 0	\$ 40,000	\$ 0		0	\$ 0
40,000	90,000	0		.8	40,000
90,000	140,000	400		1.6	90,000
140,000	240,000	1,200		2.4	140,000
240,000	440,000	3,600		3.2	240,000
440,000	640,000	10,000		4	440,000
640,000	840,000	18,000		4.8	640,000
840,000	1,040,000	27,600		5.6	840,000
1,040,000	1,540,000	38,800		6.4	1,040,000
1,540,000	2,040,000	70,800		7.2	1,540,000
2,040,000	2,540,000	106,800		8	2,040,000
2,540,000	3,040,000	146,800		8.8	2,540,000
3,040,000	3,540,000	190,800		9.6	3,040,000
3,540,000	4,040,000	238,800		10.4	3,540,000
4,040,000	5,040,000	290,800		11.2	4,040,000
5,040,000	6,040,000	402,800		12	5,040,000
6,040,000	7,040,000	522,800		12.8	6,040,000
7,040,000	8,040,000	650,800		13.6	7,040,000
8,040,000	9,040,000	786,800		14.4	8,040,000
9,040,000	10,040,000	930,800		15.2	9,040,000
10,040,000	1,082,800		16	10,040,000

*The adjusted taxable estate is the taxable estate reduced by \$60,000.

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans;
- 5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
- 6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
- 7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

<http://www.ilga.gov/commission/cgfa2006/home.aspx>