

A no-nonsense newsletter for estate planners and financial advisors from The Dayton Foundation

## Change in the Ohio Estate Tax

# Helping Your Community: Soon It Will Be All Your Choice

By Richard L. Carr, Jr., Esq., Dunlevey, Mahan & Furry

*Beginning January 1, 2013, the Ohio death tax will be history. For many Ohio communities, this will have a substantial impact.*

For more than 120 years, the State of Ohio has had either an estate tax or an inheritance tax. Beginning January 1, 2013, while death still may be a certainty for each of us, the Ohio death tax will be history.

Since 2002, estates have been taxed on the value in excess of \$338,333, at a rate of 6 to 7 percent, depending upon the size of the estate. While the size of that tax is much smaller than the federal estate tax, its impact has been regarded as substantial.

For some high-wealth individuals residing in Ohio, states without a death tax have seemed more attractive than Ohio. The Ohio Legislature cited exactly these concerns when it voted to eliminate the estate tax. In 2010, the estate tax raised \$286 million, of which 80 percent (approximately \$230 million) went to local government.

For many Ohio communities, the elimination of the Ohio Estate Tax will have a substantial impact. Centerville estimates that it will lose \$1.5 million to \$2 million annually.

Oakwood is projecting a loss of \$2.6 million annually. No doubt, the estate tax funds have been a substantial help to Ohio communities. But, those funds essentially have been an involuntary transfer of wealth from the

estates of prosperous Ohioans to their communities.

### From Involuntary Taxation to Choice

Many of the estates that were taxed were of individuals who were prominent in their communities. Many may have been business leaders, civic leaders or just ordinary citizens with affection for their communities. Now, those individuals need to know that they no longer will be forced to contribute to their local community. After December 31, 2012, the choice will be theirs.

In the past, accountants, tax advisors, estate planners and attorneys have informed their clients of the estate tax costs that they likely would incur upon death. Now, with the elimination of the Ohio Estate Tax, those same advisors would do their clients a service to inform high-wealth individuals that 6 to 7 percent of their previously taxable estate no longer will be automatically transferred to the communities in which they care to reside. I would like to suggest that financial and estate advisors may wish to consider advising their clients regarding the possibility of donating to a community foundation to help their chosen community that will suffer the effects of this change in the estate tax law.

Consider the funds that have been freed from the tax. Assuming the death of a person after 2012 with an estate of \$500,000 and without a spouse, the amount saved, not considering deductions, would be \$9,700 (.06 x \$161,667). An estate of \$1 million would save \$44,700 (\$9,700 on the first \$500,000 and \$35,000 on the second \$500,000). At higher

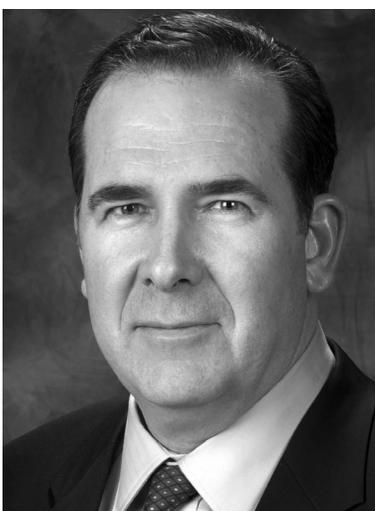
wealth levels, the savings are even more remarkable. Assuming a \$5-million estate, the savings would be over \$324,000. For deaths prior to 2013, not only is the wealth transfer involuntary, but the decedent had no opportunity to direct the use of those funds. The state and localities spent that money as they saw fit. Ohio residents now may determine not just *what* they wish to leave to their communities, but *how* those funds will be directed.

### Community Foundations Can Help

Community foundations such as The Dayton Foundation, which is a 90-year-old regional community foundation with a long and distinguished history, can facilitate many approaches for directing previously taxed funds to our community. There are a number of different types of fund vehicles available to serve a variety of different charitable interests and causes. Funds can be established in the donor's name, in the name of a loved one or can be anonymous.

Examples of fund purposes would include funds for various park districts, libraries and historical societies. In addition, an appropriate client may wish to establish a new fund with The Dayton Foundation to be used specifically for community projects or organizations most valued by him or her. Similarly, a modest donation to an existing Dayton Foundation discretionary fund, such as the Centerville-Washington Foundation's discretionary fund, can be a simple and effective means to help a particular community or area of interest.

*Continued...*



RICHARD L. CARR, JR., ESQ.

*“We will all check out, but with that check-out tax eliminated, civically minded individuals now can direct that same portion of their estate to...community causes of their choice.”*

– Richard L. Carr, Jr.

Futures is made possible by four Dayton Foundation

## I Believe!

donor families who have stepped forward to become the 2011-2012 “I Believe!” Partners of The Dayton Foundation. Their commitment underwrites a full year of Dayton Foundation publications, thereby freeing resources for the Foundation’s other community work.

“I Believe!” Partners: Scott E. Behnken, Gladys Turner Finney, Kay A. George, and Ellen S. & D. Jeffrey Ireland

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Another avenue an advisor can help his or her client pursue is The Dayton Foundation’s Community Impact Endowment Fund, which also carries naming opportunities. A Community Impact Endowment Fund is a discretionary fund that can be unrestricted or focused on a particular field of interest, such as addressing the greatest community needs for children, education, arts and culture or the environment. The beauty of discretionary funds is that the donor enables The Dayton Foundation to meet the most pressing community needs of Greater Dayton, no matter how times may change.

For example, let’s say that years ago, you set up an endowed fund to help eradicate polio by offering immunizations to the public. Then some years later, polio no longer is a public threat, but you have restricted your fund for the sole purpose of eradicating polio in Dayton. If you had had a less restrictive purpose, such as public health, the Foundation could have used your fund to help fight the polio threat in one age and to fight some other public health threat in another.

To take this a step further, setting up a totally unrestricted Community Impact Endowment Fund in your name would give The Dayton Foundation the greatest possible flexibility to address the region’s greatest opportunities and needs. Your fund – or a portion of your fund, if you so choose – would join with the funds of others to meet arising community needs for generations to come.

So through a community foundation like The Dayton Foundation, there are many options available to your clients.

## One Way Your Clients Can Help Their Community Today: the Charitable Checking Account<sup>SM</sup> Service

If your clients are looking for ways they can help their community now, The Dayton Foundation Charitable Checking Account<sup>SM</sup> (CCA) Service could be one good solution. By encouraging them to open a CCA, you will be helping them simplify their charitable giving, making it easier to give to the communities and charities important to them. They even can give anonymously, if they so choose.

CCA benefits include:

- reduced paperwork and online, secure access to your account information and grantmaking 24/7;
- flexibility to contribute in one tax year and make grants in another;
- simplified tax reporting and record keeping, with quarterly and year-end statements;
- no minimum deposit or balance required and no fees!

Visit us online at [www.daytonfoundation.org/ccaserv.html](http://www.daytonfoundation.org/ccaserv.html) to help your clients maximize their charitable dollars and support the communities and causes they care about most.

## The Dayton Foundation Has Gone Mobile!

The Dayton Foundation has launched the first phase of its new mobile website, accessible via smart phones at [www.daytonfoundation.org](http://www.daytonfoundation.org). The site includes brief information about the Foundation and its services that you might find helpful when working with clients.

## Even a Modest Offering Can Fill a Gap

Remember that even a comparatively modest estate of \$500,000 will be saving nearly \$10,000. Ten thousand dollars could be of assistance to your community. A community institution like The Dayton Foundation could provide appropriate fund options, as well as memorial opportunities, and the chance to make a gift that can help support your community in perpetuity.

In the past, some advisors have told their clients that the Ohio Estate Tax is something like a 6 to 7 percent tax at “check-out,” kind of like a sales tax at a retail store. We will all check out, but with that check-out tax eliminated, civically minded individuals now can direct that same portion of their estate to be spent on the community causes of their choice.

To learn more about creating new charitable funds or contributing to existing ones – or creating a Community Impact Endowment Fund – you may want to visit The Dayton Foundation’s website at [www.daytonfoundation.org](http://www.daytonfoundation.org) or call The Dayton Foundation at (937) 222-0410 and ask for Joe Baldasare, Vice President of Development. 🌱

**Note: Solutions will differ from case to case. The above does not constitute professional financial or tax advice.**

*Richard L. Carr, Jr., is a Director with the firm of Dunlevey, Mahan & Furry. Richard’s practice focuses on representation of business clients in planning, transactions and litigation.*

*Futures: Five-time national award-winning publication, Wilmer Shields Rich Awards, Council on Foundations*

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