SIBLING OWNERSHIP AND TAXES CONSEQUENCE

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**Question.** My sister and I have lived together all of our lives. We bought a house together in 1960. My sister is now very ill and I do not expect her to live a very long time. When my sister passes away, what taxes will I be responsible to pay?

**Answer.** It is very important to understand how you own a piece of property, how that property is titled and the consequences of the titling. When married persons own real property, it generally is held as “tenancy by the entireties”. “Tenancy by the entireties” means the husband and wife both own 100% of the property. Upon the first spouse’s death, the surviving spouse continues to own 100% of the property held in his or her sole name. If a house is owned as “joint tenancy with right of survivorship”, the impact is similar. If a brother and sister own a house by “joint tenancy with right of survivorship”, and the brother passes away, his share will automatically go to his sister who will now own 100% of the property. If a house is owned by a brother and sister as “tenants in common”, then the property is owned half by brother, half by sister, and that half will be part of the brother or sister’s estate. For example, if brother passes away in a “tenants in common” situation, his half of the property will be distributed according to the terms of his Will. If he has no Will, it will be distributed according to Pennsylvania intestacy laws. It will not automatically go to the sister.

Understanding how real property is titled is very important, especially if unmarried persons own property together. It is important to review the Deed and see the specific language used in the deed. If the Deed does not reflect your wishes, a new Deed should be prepared that does reflect your desires and wishes. Look at your Deed and see if you and your sister own the home by “joint tenancy with right of survivorship” or as “tenants in common.”

Remember, inheritance tax is an issue. There was a change in the Pennsylvania inheritance tax laws in July of 2000. There is no tax between husbands and wives, and the tax between parents and children and lineal
decedents has been reduced from 6% to 4.5%. The tax between siblings was 15% and is now 12%. The tax for other persons (nieces, nephews, friends) is 15%, and for charities 0%. When your sister passes away, anything she leaves you will be taxed at the 12% rate (minus estate deductions if appropriate).

It is very important when people own any type of property together, that they are sure their Wills express their desires as to the distribution of the property. Understanding the importance of proper titling is key to ensuring assets are distributed according to one’s wishes. Reviewing your estate plan and goals is very important and should be done normally every 3 to 5 years. If your situation changes, however, such as an illness, a death, a birth, or a divorce, then your estate planning should be reviewed at that time and, if necessary, updated to reflect your estate planning wishes.