JOINT OWNERSHIP – GOOD OR BAD?

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**Question.** I have three CDs that total $100,000. I want to put my daughter’s name on the CDs so she is owner of the CDs as well. I understand that when I die, she will not have to go through probate or pay any inheritance tax. Is this true? Is this a good idea?

**Answer.** Oftentimes, people will list their children as co-owners on their assets. This is commonly done for convenience, so that the children have access to these funds in the event that the parent becomes incapacitated.

It is not true that your estate will not have to pay any inheritance tax if you take the action you mentioned. Inheritance tax will be due at a death, but may be due only on a portion. For example, if you have $100,000 and you put your daughter’s name on that $100,000, then at the time of your death, $50,000 will be taxed. Another example is that if you have $100,000 and you put two children’s name on that asset, then only one third of the asset will be taxed at the time of your death.

Please realize, however, that if something happens to your daughter or child and they pass away, then you will incur an inheritance tax on those assets. For example, if your child passes away, then you would be taxed 4.5% (Pa.’s inheritance tax) on that $50,000, and you will be required to pay $2,250 tax on your own money.

In addition, Pennsylvania has a rule that applies to the potential inheritance tax on any joint ownership assets. This rule, called the One Year Rule, basically states that if an asset, or a portion of an asset, has been transferred into another person’s name to avoid the inheritance tax, the transfer must have been made at least one year prior to death. For example, if you transfer $50,000 of your $100,000 assets to your daughter by putting her name on your CDs and you die within one year of the date of that transfer, the inheritance tax will be on the full $100,000 not $50,000.

If the only assets that you have are the CDs and you have them in joint ownership, then you are correct that your estate could then avoid probate. Probate is the process of registering the Will with the Courthouse and administering your Will according to your wishes.
There are many issues to consider when determining how to title property, who to hold it with, and the impact it has on your estate planning and estate administration. If you have a federal tax issue (an estate of $1 million or more) then tax planning should be done. Make certain that you meet with an experienced estate planning attorney to determine your needs before you make very expensive and time-consuming mistakes.