Estate Tax

83.100.020(1) - Estate tax exclusion

Description

Through Calendar Year 2013, there is a $2 million exclusion from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. For estates of decedents dying in Calendar Year 2015, the exclusion amount is $2,054,000.

Purpose

Moderate value estates are not subject to the tax.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$3,810.700	$3,953.100	$4,311.400	$4,467.800
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$1,030.300	$1,540.900
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No exclusion amount for deaths occurring on or after January 1, 2017
- All payments are made timely at the 9-month due date
- The first payments would be due on October 1, 2017, which will result in 9 months of impact in Fiscal Year 2018
- Approximately 53,000 deaths in Washington in 2015, increasing to almost 60,000 deaths in 2019
- Percent of deaths by age based on Washington life expectancy data
- Washington net worth 166 percent of national net worth
- Approximately 35 percent of estates go through probate
- For probated estates, a high compliance factor is used:
  - 90 percent revenue collections in Fiscal Year 2018, and
  - 95 percent revenue collections in Fiscal Year 2019 and thereafter
- For non-probated estates, a compliance factor of 5 percent is used for all years

Data Sources

- Office of Financial Management, November 2014 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- United States Census Bureau wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

Continued

83.100.020(1) - Estate tax exclusion

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005; exclusion increases, 2013
Primary Beneficiaries:	Individuals who receive benefits from the estate
Taxpayer Count:	54,000 to 60,000 per year
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

83.100.046 - Farm property

Description

Estates deduct the value of qualified real and personal property used primarily for farming from their taxable estate.

Purpose

Ensures surviving family members do not need to sell farm assets to pay estate taxes. However, heirs taking this exemption are not required to continue farming.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.650	$1.650	$1.650	$1.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$1.238	$1.650
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- Legislation repeals the farm deduction for deaths occurring on or after January 1, 2017
- All payments are made timely at the 9-month due date
- The first payments would be due on October 1, 2017, which will result in 9 months of impact in Fiscal Year 2018
- An average of 10 estates per year take the farm deduction
- The average tax savings per estate is $165,000

Data Sources

- Department of Revenue Estate Tax data
- Estate Tax Forecast Model (March 2015)
- Federal Estate Tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Estates with farm assets
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2015

83.100.047 - Marital deduction

Description

The decedent's estate may deduct the value of property passed to a surviving spouse or state registered domestic partner for:

- Property passing outright, and
- Property providing an income interest for the life of the surviving spouse or domestic partner, with the proper election.

Purpose

Postpones estate tax for assets passed to a surviving spouse until the surviving spouse's death.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$210.000	$210.000	$210.000	$210.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$157.500	$210.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No marital deduction for deaths occurring on or after January 1, 2017
- All payments are made timely at the 9-month due date
- The first payments would be due on October 1, 2017, which will result in 9 months of impact in Fiscal Year 2018
- An average of 350 estates per year take the marital deduction
- The average tax savings per estate is 600,000

Data Sources

- Department of Revenue estate tax data
- Estate Tax Forecast Model (February 2015)
- Federal Estate Tax data

Continued

83.100.047 - Marital deduction

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	2005
Primary Beneficiaries:	Surviving spouses
Taxpayer Count:	350
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2016

83.100.048 - Family-Owned Business Interest

Description

Estates may deduct qualified family-owned business interests from their taxable estate if certain conditions are met, including:

- The value of the qualified family-owned business interests exceed 50 percent of the Washington taxable estate,
- The value of the qualified family-owned business interests is not more than $6 million, and
- There is material participation related to the operation of the business both prior to, and after, the decedent's death.

The deduction is limited to $2.5 million, and applies only to decedents dying on or after January 1, 2014.

Purpose

Ensures surviving family members do not need to sell family-owned business assets to pay estate taxes.

Taxpayer savings

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$1.200	$1.200	$1.200	$1.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	$0.000	$0.000	$0.900	$1.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- No qualified family-owned business interest deduction for deaths occurring on or after January 1, 2017
- All payments are made timely at the 9-month due date
- The first payments would be due on October 1, 2017, which will result in 9 months of impact in Fiscal Year 2018
- An average of four estates per year take the qualified family-owned business interest deduction
- The average tax savings is $1.2 million per estate

Continued

83.100.048 - Family-Owned Business Interest

Data Sources

- Department of Revenue Estate Tax data
- Federal Estate Tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Estates containing family-owned business assets
Taxpayer Count:	4
Program Inconsistency:	None evident
JLARC Review:	JLARC has scheduled to review in 2023