Chapter 7
Estate Tax

83.100.020(1) - Estate tax threshold

Description

Through calendar year 2013, $2 million is excluded from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 that annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. The exclusion amount for estates of decedents dying in calendar year 2022 is $2,193,000.

Purpose

Subject only higher-valued estates to the estate tax while exempting lower-valued estates.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$4,710.000	$4,496.700	$4,701.600	$4,921.300
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 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$323.800	$1,419.900	$1,481.300
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024. The first payments would be due on April 1, 2025, resulting in three months of impact in fiscal year 2025.
- All payments are made timely at the nine-month due date.
- Approximately 70,000 deaths in Washington in 2022, decreasing to about 63,000 deaths in 2026.
- Percent of deaths by age based on Washington life expectancy data.
- Washington's average net worth is 128% of the national average net worth.
- Approximately 28% of estates go through probate.
- For probated estates, a high compliance factor is used:
  - 90% revenue collections in fiscal year 2025, and
  - 95% revenue collections in fiscal year 2026 and thereafter.
- For non-probated estates, a compliance factor of 5% is used for all years.

Data Sources

- Office of Financial Management, November 2022 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- U.S. Census Bureau, Wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

83.100.020(1) - Estate tax threshold

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005; exclusion increases, 2013
Primary Beneficiaries:	Individuals who receive benefits from the estate
Taxpayer Count:	60,000 – 70,000 per year
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2023

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 deduction are not required to continue farming.

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$7.200	$7.200	$7.200	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$5.400	$7.200
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the farm deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 24 estates per year take the farm deduction.
- The average tax savings per estate is $300,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2005
Primary Beneficiaries:	Estates with farm assets
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015, and expedited review completed in 2018

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 by election.
- Property providing an income interest for the life of the surviving spouse or domestic partner when the proper election is made.

Purpose

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

Taxpayer savings

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$390.000	$390.000	$390.000	$390.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$292.500	$390.000
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the marital deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 650 estates per year take the marital deduction.
- The average tax savings per estate is $600,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2005
Primary Beneficiaries:	Surviving spouses
Taxpayer Count:	650 per year
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2016 and 2020

83.100.048 - Family-Owned Business Interest

Description

Qualified family-owned business interests may be deducted from the taxable estate if certain conditions are met, including:

- The value of the qualified family-owned business interests exceeds 50% of the Washington taxable estate determined without regard to the deduction for the applicable exclusion amount.
- The decedent must have been a citizen of the U.S. and a qualified family-owned business acquired by any qualified hair.
- The value of the qualified family-owned business interests is not more than $6 million.
- During the eight years ending on the date of the decedent's death, there have been five or more years of material participation related to the operation of the business.

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 2024	FY 2025	FY 2026	FY 2027
State Taxes	$1.700	$1.700	$1.700	$1.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Repeal of exemption

Repealing this deduction would increase revenues.

Potential revenue gains from full repeal

($ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	$0.000	$0.000	$1.300	$1.700
Local Taxes	$0.000	$0.000	$0.000	$0.000

Assumptions

- This repeal takes effect July 1, 2024, which impacts the qualified family-owned business interest deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of seven estates per year take the qualified family-owned business interest deduction.
- The average tax savings per estate is $250,000.

Data Sources

- Department of Revenue, Estate tax data

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Estates containing family-owned businesses
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2015, and expedited review completed in 2020