

FINAL BILL REPORT

SSB 5052

C 332 L 05

Synopsis as Enacted

Brief Description: Creating the uniform estate tax apportionment act.

Sponsors: Senate Committee on Judiciary (originally sponsored by Senators Johnson, Kline and Rockefeller).

Senate Committee on Judiciary

House Committee on Judiciary

Background: Current estate tax apportionment law is contained in chapter 83.110 RCW. It is based on the original uniform estate tax apportionment act of 1964. The National Conference of Commissioners on Uniform State Laws adopted a new version of that act in 2003. The Estate and Gift Tax Committee of the Washington State Bar Association Tax Section has reviewed the 2003 Uniform Estate Tax Apportionment Act (UETAA) and is in support of its adoption, subject to several minor variations. It continues to advance the principle of the 1964 Act in that the decedent's expressed intentions govern apportionment of an estate tax. The statute only applies when there is no clear and effective provision by the decedent as to how estate taxes are to be apportioned.

Summary: If a decedent does not make a valid provision as to how estate taxes are to be apportioned, the statutory apportionment rules of the UETAA apply. A decedent's estate tax is apportioned among those interested in the estate, essentially on the basis of their shares in the net estate. All property and interests that are subject to the estate tax are addressed, including joint tenancy assets, retirement accounts, and life insurance. An interest in property that qualifies for a deduction bears a portion of the tax only if there is no other source from which to pay the tax.

"Insulated property" is property subject to a time-limited interest which is included in the apportionable estate and is unavailable for payment of an estate tax because of impossibility or impracticability. The tax apportioned to the holders of interests in insulated property is collected ratably from persons who receive uninsulated property. These people participate in the appreciation or depreciation of the insulated property and, if it ever ceases to be insulated, those who advanced the tax can collect their percentage from the property at that time.

A reference is contained to the 2005 version of the Internal Revenue Code and it applies to the estate tax apportionment chapter only. A savings clause addresses any outstanding rights, liabilities, or obligations that may exist under the apportionment statute that is being repealed in the legislation.

Votes on Final Passage:

Senate	46	0	
House	98	0	(House amended)

Senate 46 0 (Senate concurred)

Effective: January 1, 2006.