S-5510.4

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SENATE BILL 6581**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 66th Legislature 2020 Regular Session**

**By** Senators Lovelett, Nguyen, Saldaña, and Wilson, C.

AN ACT Relating to funding youth health care access and affordability, housing affordability, and wages for child care providers through a more progressive estate tax rate structure; amending RCW 83.100.040 and 83.100.230; reenacting and amending RCW 83.100.020; creating a new section; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec.**  RCW 83.100.020 and 2013 2nd sp.s. c 2 s 2 are each reenacted and amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1)(a) "Applicable exclusion amount" means:

(i) One million five hundred thousand dollars for decedents dying before January 1, 2006;

(ii) Two million dollars for estates of decedents dying on or after January 1, 2006, and before January 1, 2014; ((~~and~~))

(iii) For estates of decedents dying ((~~in calendar year 2014 and each calendar year thereafter~~)) on or after January 1, 2014, and before July 1, 2020, the amount in (a)(ii) of this subsection must be adjusted annually, except as otherwise provided in this subsection (1)(a)(iii). The annual adjustment is determined by multiplying two million dollars by one plus the percentage by which the most recent October consumer price index exceeds the consumer price index for October 2012, and rounding the result to the nearest one thousand dollars. No adjustment is made for a calendar year if the adjustment would result in the same or a lesser applicable exclusion amount than the applicable exclusion amount for the immediately preceding calendar year. The applicable exclusion amount under this subsection (1)(a)(iii) for the decedent's estate is the applicable exclusion amount in effect as of the date of the decedent's death; and

(iv) Two million five hundred thousand dollars for decedents dying on or after July 1, 2020.

(b) For purposes of this subsection, "consumer price index" means the consumer price index for all urban consumers, all items, for the Seattle‑Tacoma‑Bremerton metropolitan area as calculated by the United States bureau of labor statistics.

(2) "Decedent" means a deceased individual.

(3) "Department" means the department of revenue, the director of that department, or any employee of the department exercising authority lawfully delegated to him or her by the director.

(4) "Federal return" means any tax return required by chapter 11 of the internal revenue code.

(5) "Federal tax" means a tax under chapter 11 of the internal revenue code.

(6) "Federal taxable estate" means the taxable estate as determined under chapter 11 of the internal revenue code without regard to: (a) The termination of the federal estate tax under section 2210 of the internal revenue code or any other provision of law, and (b) the deduction for state estate, inheritance, legacy, or succession taxes allowable under section 2058 of the internal revenue code.

(7) "Gross estate" means "gross estate" as defined and used in section 2031 of the internal revenue code.

(8) "Internal revenue code" means the United States internal revenue code of 1986, as amended or renumbered as of January 1, 2005.

(9) "Person" means any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate, or other entity and, to the extent permitted by law, any federal, state, or other governmental unit or subdivision or agency, department, or instrumentality thereof.

(10) "Person required to file the federal return" means any person required to file a return required by chapter 11 of the internal revenue code, such as the personal representative of an estate.

(11) "Property" means property included in the gross estate.

(12) "Resident" means a decedent who was domiciled in Washington at time of death.

(13) "Taxpayer" means a person upon whom tax is imposed under this chapter, including an estate or a person liable for tax under RCW 83.100.120.

(14) "Transfer" means "transfer" as used in section 2001 of the internal revenue code and includes any shifting upon death of the economic benefit in property or any power or legal privilege incidental to the ownership or enjoyment of property. However, "transfer" does not include a qualified heir disposing of an interest in property qualifying for a deduction under RCW 83.100.046 or ceasing to use the property for farming purposes.

(15) "Washington taxable estate" means the federal taxable estate and includes, but is not limited to, the value of any property included in the gross estate under section 2044 of the internal revenue code, regardless of whether the decedent's interest in such property was acquired before May 17, 2005, (a) plus amounts required to be added to the Washington taxable estate under RCW 83.100.047, (b) less: (i) The applicable exclusion amount; (ii) the amount of any deduction allowed under RCW 83.100.046; (iii) amounts allowed to be deducted from the Washington taxable estate under RCW 83.100.047; and (iv) the amount of any deduction allowed under RCW 83.100.048.

**Sec.**  RCW 83.100.040 and 2013 2nd sp.s. c 2 s 4 are each amended to read as follows:

(1) A tax in an amount computed as provided in this section is imposed on every transfer of property located in Washington. For the purposes of this section, any intangible property owned by a resident is located in Washington.

(2)(a) Except as provided in (b) of this subsection, the amount of tax is the amount provided in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| If Washington Taxable | | The amount of Tax Equals | | Of Washington Taxable Estate Value Greater than |
| Estate is at least | But Less Than | Initial Tax Amount | Plus Tax Rate % |
| $0 | $1,000,000 | $0 | 10.00% | $0 |
| $1,000,000 | $2,000,000 | $100,000 | 14.00% | $1,000,000 |
| $2,000,000 | $3,000,000 | $240,000 | ((~~15.00%~~)) 16.00% | $2,000,000 |
| $3,000,000 | $4,000,000 | ((~~$390,000~~)) $400,000 | ((~~16.00%~~)) 18.00% | $3,000,000 |
| $4,000,000 | $6,000,000 | ((~~$550,000~~)) $580,000 | ((~~18.00%~~)) 22.00% | $4,000,000 |
| $6,000,000 | $7,000,000 | ((~~$910,000~~)) $1,020,000 | ((~~19.00%~~)) 24.00% | $6,000,000 |
| $7,000,000 | $9,000,000 | ((~~$1,100,000~~)) $1,260,000 | ((~~19.50%~~)) 26.00% | $7,000,000 |
| $9,000,000 | $12,500,000 | ((~~$1,490,000~~)) $1,780,000 | ((~~20.00%~~)) 28.00% | $9,000,000 |
| $12,500,000 | $22,500,000 | $2,760,000 | 29.00% | $12,500,000 |
| $22,500,000 | $100,000,000 | $5,660,000 | 30.00% | $22,500,000 |
| $100,000,000 | $1,000,000,000 | $28,910,000 | 35.00% | $100,000,000 |
| $1,000,000,000 |  | $343,910,000 | 40.00% | $1,000,000,000 |

(b) If any property in the decedent's estate is located outside of Washington, the amount of tax is the amount determined in (a) of this subsection multiplied by a fraction. The numerator of the fraction is the value of the property located in Washington. The denominator of the fraction is the value of the decedent's gross estate. Property qualifying for a deduction under RCW 83.100.046 must be excluded from the numerator and denominator of the fraction.

(3) The tax imposed under this section is a stand-alone estate tax that incorporates only those provisions of the internal revenue code as amended or renumbered as of January 1, 2005, that do not conflict with the provisions of this chapter. The tax imposed under this chapter is independent of any federal estate tax obligation and is not affected by termination of the federal estate tax.

**Sec.**  RCW 83.100.230 and 2019 c 415 s 990 are each amended to read as follows:

(1) The education legacy trust account is created in the state treasury. Money in the account may be spent only after appropriation. Expenditures from the account may be used only for support of the common schools, the purposes specified in subsection (2) of this section, and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts. During the 2015-2017, 2017-2019, and 2019-2021 fiscal biennia appropriations from the account may be made for support of early learning programs. It is the intent of the legislature that this policy will be continued in subsequent fiscal biennia.

(2) By November 15, 2020, and by each November 15th thereafter, the department must estimate any increase in revenues deposited in the education legacy trust account for the current biennium and subsequent two biennia resulting from the amendatory changes made in this act. The department must promptly notify the office of financial management and the fiscal committees of the legislature of these estimated amounts.

(3) The first five million dollars of annual revenue from the amount determined under subsection (2) of this section must be used to fund programs that provide temporary housing for the homeless; the next ten million dollars of annual revenue from the amount determined under subsection (2) of this section must be used to fund the child care career and wage ladder under RCW 43.216.675; and the remainder of the amount determined under subsection (2) of this section must be used to fund youth health care access and affordability.

NEW SECTION. **Sec.**  This act applies to decedents dying on or after July 1, 2020.

NEW SECTION. **Sec.**  This act takes effect July 1, 2020.

**--- END ---**