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## Finance Committee

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### HB 1484

**Brief Description:** Updating the estate tax exclusion amount.

**Sponsors:** Representatives Orcutt and Jacobsen.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Increases the exclusion amount for the estate tax to \$2.659 million.</li><li>• Updates the reference for the annual consumer price index adjustment for the exclusion amount.</li></ul>
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**Hearing Date:** 2/9/23

**Staff:** Tracey Taylor (786-7152).

**Background:**

Washington State Estate Tax.

Washington does not have an inheritance tax. However, Washington does have an estate tax. In general terms, an inheritance tax is a tax on the beneficiaries of an estate whereas an estate tax is a tax on the decedent's estate. If you are a person living in Washington who inherits property or money, you do not owe Washington taxes on your inheritance. The estate tax is a tax on the right to transfer property at the time of death. A person residing in Washington or a non-resident who owns property in Washington may owe an estate tax depending on the value of their estate.

The executor for a decedent's estate is required to file an estate tax return if the gross estate meets the filing threshold for the date of death. The current threshold amount is \$2.193 million. If the total gross estate is below the filing threshold, no estate tax return needs to be filed. If the total gross estate is above the filing threshold, an estate tax return must be filed even if no tax would be due. If a Washington return is required to be filed and a federal estate tax return is

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filed, a copy of the federal return must be included with the Washington estate tax filing.

The applicable exclusion amount is an amount deducted prior to calculating estate tax due. The current exclusion amount is \$2.193 million. All assets owned by the decedent on the date of death should be included in the estate. All assets, even if located in another state, should be reported on the estate tax return. The exclusion amount was adjusted on an annual basis which is based on the Consumer Price Index (CPI) for the Seattle-Tacoma-Bremerton metropolitan area as calculated by the United States Bureau of Labor Statistics (BLS). The CPI for this statistical area is no longer calculated by the U.S. BLS, and as a result, the exclusion amount for the estate tax has not changed since 2018.

For the estate of a married decedent, all of the community property and all of the decedent's separate property are reported on the estate tax return. The community property assets are then reduced by 50 percent to reflect the decedent's share of the property. Even if the entire estate will pass to the surviving spouse and no taxes may be due, an estate tax return must be filed if the decedent's half of the community property plus the decedent's separate property meets the filing threshold.

**Summary of Bill:**

The exclusion amount for the estate tax is increased to \$2.659 million. In addition, the reference to the CPI statistical area is updated to consumer price index for all urban consumers all items for the Seattle area. The reference allows for the renaming of the statistical area so long as it includes Seattle and the surrounding areas.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on August 1, 2023.