

SENATE BILL REPORT

HB 1867

As Reported by Senate Committee On:
Ways & Means, February 23, 2024

Title: An act relating to eliminating the estate tax filing requirement for certain estates involving a qualifying familial residence.

Brief Description: Eliminating the estate tax filing requirement for certain estates involving a qualifying familial residence.

Sponsors: Representatives Walen, Chapman and Santos.

Brief History: Passed House: 1/31/24, 97-0.

Committee Activity: Ways & Means: 2/20/24, 2/23/24 [DP].

Brief Summary of Bill

- Provides an exemption from the estate tax return filing requirement for certain estates with a qualifying family residence.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Mullet, Vice Chair, Capital; Nguyen, Vice Chair, Operating; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Pedersen, Randall, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Staff: Tianyi Lan (786-7432)

Background: Estate Tax. The estate tax is a tax on the right to transfer property at the time of death. The tax is sometimes referred to as a transfer tax. Unlike an inheritance tax, which

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is tax on the beneficiaries of an estate, the estate tax is on the decedent's estate. A Washington decedent or a non-resident decedent who owns property in this state may owe estate tax depending on the value of their estate. A person living in Washington who inherits property or money does not owe Washington taxes on the inheritance. 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 tax applies to all property owned by the decedent on the date of death. The term property includes real estate and other property located in this state, as well as intangible assets owned by a Washington resident, regardless of location. After subtracting certain allowable deductions and a set exclusion amount, the remaining taxable estate is subject to a graduated rate schedule ranging from 10 to 20 percent. The current exclusion amount is \$2.193 million.

Estate Tax Revenues. The proceeds of the estate tax are deposited into the Education Legacy Trust Account (ELTA). The ELTA may be used only for the support of the common schools, and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts.

Estate Tax Return Filing Requirements. A Washington estate tax return filing is required if a decedent's gross value of all of their property, wherever located, is over the filing threshold. 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 allowable deductions from the gross estate result in no tax due. If a Washington estate tax return is required to be filed and a federal estate tax return is filed, a copy of the federal return must be included with the Washington filing.

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 as part of the gross estate.

Summary of Bill: Beginning with decedents dying on or after January 1, 2025, a Washington estate tax return is not required to be filed if the estate does not owe any estate tax and all the following criteria have been met:

- the decedent's estate is not otherwise required to file an estate tax return to claim a specific election;
- a spouse survived the decedent and the decedent's qualifying family residence included in the decedent's gross estate passed from the decedent to the spouse; and
- the decedent's gross estate is less than the applicable exclusion amount once the decedent's interest in the qualifying family residence value has been subtracted.

A "qualifying family residence" is defined as the principal place of residence of the marital community or domestic partnership at the decedent's date of death. A "residence" is defined

as a single-family dwelling unit, whether such unit is separate or part of a multiunit dwelling.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: There are no revenue loss and tax consequences to pass the legislation. The bill provides major help for people who lose their spouse. It helps save some unnecessary administrative work.

Persons Testifying: PRO: Bea Nahon, Washington Society of CPAs.

Persons Signed In To Testify But Not Testifying: No one.