
Finance Committee

HB 1375

Brief Description: Adjusting the estate tax exclusion amount for inflation.

Sponsors: Representatives Orcutt, Klicker, Couture, Jacobsen, Ley, Ryu, Schmick and Barkis.

Brief Summary of Bill

- Increases the exclusion amount for the estate tax to \$2.959 million.
- Updates the reference for the annual consumer price index adjustment for the exclusion amount.

Hearing Date: 2/20/25

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 estate tax return is required to be filed, and a federal estate tax

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

Exclusion Amount.

The applicable exclusion amount is an amount deducted prior to calculating the 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, 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 BLS, and as a result, the exclusion amount for the estate tax has not changed since 2018.

Tax Preference Performance Statement.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

The exclusion amount for the estate tax is increased to \$2.959 million. In addition, the reference to the CPI statistical area is updated to the CPI 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.

This act is not subject to the requirements of a TPPS, a JLARC review, and the automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2025.