

# Chapter 6

## Estate Tax

## 83.100.020(1) - Estate tax threshold

**Description** Through Calendar Year 2013, \$2 million is excluded from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. For estates of decedents dying in Calendar Year 2019, the exclusion amount is \$2,193,000.

**Purpose** Moderate value estates are not subject to the tax.

**Taxpayer savings**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$2,151.300	\$2,233.900	\$2,322.800	\$2,415.800
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$653.400	\$943.200
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Assumptions**

- No exclusion for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments would be due on October 1, 2021, which will result in 9 months of impact in Fiscal Year 2022.
- Approximately 59,000 deaths in Washington in 2020, increasing to almost 63,000 deaths in 2023.
- Percent of deaths by age based on Washington life expectancy data.
- Washington's average net worth is 127 percent of national average net worth.
- Approximately 40 percent of estates go through probate.
- For probated estates, a high compliance factor is used:
  - 90 percent revenue collections in Fiscal Year 2022; and,
  - 95 percent revenue collections in Fiscal Year 2023 and thereafter.
- For non-probated estates, a compliance factor of 5 percent is used for all years.

**Data Sources**

- Office of Financial Management, November 2018 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- U.S. Census Bureau wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

## 83.100.020(1) - Estate tax threshold

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### Additional Information

Additional Information	
<b>Category:</b>	Individuals
<b>Year Enacted:</b>	2005; exclusion increases, 2013
<b>Primary Beneficiaries:</b>	Individuals who receive benefits from the estate
<b>Taxpayer Count:</b>	54,000 to 60,000 per year
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed an expedited report in 2016

## 83.100.046 - Farm property

**Description** Estates deduct the value of qualified real and personal property used primarily for farming from their taxable estate.

**Purpose** Ensures surviving family members do not need to sell farm assets to pay estate taxes. However, heirs taking this exemption are not required to continue farming.

**Taxpayer savings** (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$3.000	\$3.000	\$3.000	\$3.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Repeal of exemption** Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal** (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$2.300	\$3.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Assumptions**

- Legislation repeals the farm deduction for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months of impact in Fiscal Year 2022.
- Average of 15 estates per year take the farm deduction.
- Average tax savings per estate is \$200,000.

**Data Sources** Department of Revenue estate tax data

**Additional Information**

Additional Information	
<b>Category:</b>	Agriculture
<b>Year Enacted:</b>	2005
<b>Primary Beneficiaries:</b>	Estates with farm assets
<b>Taxpayer Count:</b>	15
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed a full review in 2015

## 83.100.047 - Marital deduction

**Description** The decedent's estate may deduct the value of property passed to a surviving spouse or state registered domestic partner for:

- Property passing outright; and
- Property providing an income interest for the life of the surviving spouse or domestic partner when the proper election is made.

**Purpose** Postpones exposure to estate tax for assets passed to a surviving spouse until the surviving spouse's death.

**Taxpayer savings**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$205.000	\$205.000	\$205.000	\$205.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$153.750	\$205.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Assumptions**

- Marital deduction not allowed for deaths occurring on or after January 1, 2021.
- All payments are made timely at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months of impact in Fiscal Year 2022.
- Average of 410 estates per year take the marital deduction.
- Average tax savings per estate is \$500,000.

**Data Sources**

Department of Revenue estate tax data

**Additional Information**

Additional Information	
<b>Category:</b>	Tax Base
<b>Year Enacted:</b>	2005
<b>Primary Beneficiaries:</b>	Surviving spouses
<b>Taxpayer Count:</b>	410 per year
<b>Program Inconsistency:</b>	None evident
<b>JLARC Review:</b>	JLARC completed an expedited report in 2016

## 83.100.048 - Family-owned business interest

- Description** Estates may deduct qualified family-owned business interests from their taxable estate if certain conditions are met, including:
- Value of the qualified family-owned business interests exceed 50 percent of the Washington taxable estate;
  - Value of the qualified family-owned business interests is not more than \$6 million; and
  - There is material participation related to the operation of the business both prior to, and after, the decedent's death.

The deduction is limited to \$2.5 million, and applies only to decedents dying on or after January 1, 2014.

**Purpose** Ensures surviving family members do not need to sell family-owned business assets to pay estate taxes.

**Taxpayer savings**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$1.680	\$1.680	\$1.680	\$1.680
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

*(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$1.300	\$1.680
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

**Assumptions**

- Qualified family-owned business interest deduction not allowed for deaths occurring on or after January 1, 2021.
- All payments are made at the 9-month due date.
- First payments due October 1, 2021, resulting in 9 months impact in Fiscal Year 2022.
- Average of seven estates per year take family-owned business interest deduction.
- The average tax savings is \$240,000 per estate.

**Data Sources**

Department of Revenue estate tax data

## 83.100.048 - Family-owned business interest

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### Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2013
Primary Beneficiaries:	Estates containing family-owned business assets
Taxpayer Count:	7
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015