

Department of Revenue Fiscal Note

Bill Number: 1484 HB	Title: Estate tax exclusion amount	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
Education Legacy Trust Account-State 01 - Taxes 55 - Inheritance Tax	(7,300,000)	(59,300,000)	(66,600,000)	(166,700,000)	(194,800,000)
Total \$	(7,300,000)	(59,300,000)	(66,600,000)	(166,700,000)	(194,800,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.3	0.3	0.3	0.3
GF-STATE-State 001-1	54,300	29,700	84,000	59,400	59,400
Total \$	54,300	29,700	84,000	59,400	59,400

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/05/2023
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Request # 1484-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

The estate tax is a tax on the right to transfer property at the time of death. A decedent or a non-resident decedent who owns property in Washington may owe estate tax depending on the value of their estate.

An annual applicable exclusion amount is determined by the Department of Revenue (department) using the Seattle-Tacoma-Bremerton metropolitan area October consumer price index. An estate tax return is not required to be filed unless the gross estate is equal to or greater than the applicable exclusion amount.

The annual adjustment uses the consumer price index (CPI) for the Seattle-Tacoma-Bremerton metropolitan area. The adjustment is determined by multiplying \$2,000,000 by one plus the percentage by which the most recent October CPI exceeds the CPI for October 2012.

As of January 1, 2018, the US Bureau of Labor and Statistics (USBLS) no longer calculates the CPI for the Seattle-Tacoma-Bremerton metropolitan area. Instead, they created the Seattle-Tacoma-Bellevue Core Based Statistical Area for the Puget Sound region. This results in no increase in the applicable exclusion amount after 2018. For deaths in 2019 and forward, the applicable exclusion amount is \$2,193,000.

The Washington taxable estate is the amount after all allowable deductions, including the applicable exclusion amount, have been applied. The tax rate applied ranges between 10% to 20%, depending upon the Washington taxable estate.

PROPOSAL:

For estates of decedents dying on or after August 1, 2023, but before January 1, 2024:

- The applicable exclusion amount increases to \$2,659,000.

For estates of decedents dying in calendar year 2024 and each calendar year thereafter:

- The October CPI published by the USBLS for the Seattle area is used to annually adjust the estate tax exclusion amount.
- The adjustment is determined by multiplying \$2,659,000 by the sum of one plus the percentage by which the most recent October CPI exceeds the CPI for October 2022.

EFFECTIVE DATE:

This bill takes effect on August 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- This proposal applies to deaths occurring on or after August 1, 2023.
- Taxpayers make all payments timely at the 9-month due date.
- The first payments are due May 1, 2024, which results in two months of impact in Fiscal Year 2024.

Using the forecasted Seattle Consumer Price Index, the estate tax exclusion amount increases as follows:

2024 - \$2,862,000

2025 - \$2,943,000

2026 - \$3,001,000

2027 - \$3,052,000
2028 - \$3,103,000
2029 - \$3,155,000

DATA SOURCES:

- Department of Revenue, estate tax data
- Estate Tax Forecast Model, November 2022
- Economic and Revenue Forecast Council, November 2022 forecast, Table 2.1, Seattle Consumer Price Index

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$7.3 million in the two months of impacted collections in fiscal year 2024, and by \$59 million in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - (\$ 7,300)
FY 2025 - (\$ 59,300)
FY 2026 - (\$ 78,900)
FY 2027 - (\$ 87,800)
FY 2028 - (\$ 94,500)
FY 2029 - (\$ 100,300)

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

FIRST YEAR COSTS:

The department will incur total costs of \$54,300 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.37 FTE.

- Amend one administrative rule.
- Process returns and assist taxpayers with reporting questions and respond to written inquiries.
- Test and verify computer systems for new exclusion amount.

Object Costs - \$17,600.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$29,700 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.3 FTE.

- Process returns and assist taxpayers with reporting questions and respond to written inquiries.
- Continued computer system testing, monitoring, and maintenance.

ONGOING COSTS:

Ongoing costs for the 2026-27 biennium equal \$59,400 and include similar activities described in the second-year costs. Time and effort equate to 0.3 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.3	0.3	0.3	0.3
A-Salaries and Wages	20,900	18,500	39,400	37,000	37,000
B-Employee Benefits	6,900	6,100	13,000	12,200	12,200
C-Professional Service Contracts	17,600		17,600		
E-Goods and Other Services	5,000	3,100	8,100	6,200	6,200
G-Travel	1,100	1,100	2,200	2,200	2,200
J-Capital Outlays	2,800	900	3,700	1,800	1,800
Total \$	\$54,300	\$29,700	\$84,000	\$59,400	\$59,400

III. B - Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	0.3	0.3	0.3	0.3	0.3
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.4	0.3	0.4	0.3	0.3

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-57-105 titled: "Nature of estate tax, definitions." Persons affected by this rulemaking would include certain estates of decedents dying on or after August 1, 2023.