

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1728 HB	<b>Title:</b> Estate tax/nonfamilial heir	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1		0.1		
<b>Account</b>					
GF-STATE-State 001-1	16,800		16,800		
<b>Total \$</b>	16,800		16,800		

**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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Request # 1728-1-1

## 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.

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.

One allowable deduction is the farm deduction. The farm deduction is unlimited and includes the value of land and structures. It also includes the value of farming equipment used for a farming purpose by the decedent or a member of the decedent's family.

#### PROPOSAL:

This bill expands the farm deduction to include a deduction for the value of farming equipment used for a farming purpose by a nonfamilial heir.

The bill defines nonfamilial heir to mean an employee of a farm who materially participated in farming operations on the farm and who acquired property, or to whom property passed, from the decedent. Material participation must be determined in a manner similar to the manner used for purposes of federal law.

#### EFFECTIVE DATE:

This bill is effective August 1, 2025 and applies to decedents dying on or after August 1, 2025.

### 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:

The amendment to the farm deduction reduces estate tax revenues, but only minimally. For any given year, it is unlikely an estate will claim the value of farming equipment used for a farming purpose by a nonfamilial heir as part of the farm deduction. The reduction in revenues may vary based on the value of the assets.

### 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.*

#### ASSUMPTIONS:

This bill affects people with a date of death on or after August 1, 2025.

#### FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$16,800 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 0.1 FTE.
- Set up, program, and test computer system changes.
- Amend three administrative rules.

Object Costs - \$4,700.

- Computer system changes, including contract programming.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	7,700		7,700		
B-Employee Benefits	2,800		2,800		
C-Professional Service Contracts	4,700		4,700		
E-Goods and Other Services	1,300		1,300		
J-Capital Outlays	300		300		
<b>Total \$</b>	<b>\$16,800</b>		<b>\$16,800</b>		

**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 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635	0.0		0.0		
MGMT ANALYST4	78,468	0.0		0.0		
TAX POLICY SP 2	80,460	0.0		0.0		
TAX POLICY SP 3	91,068	0.0		0.0		
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 3	115,352	0.0		0.0		
<b>Total FTEs</b>		<b>0.1</b>		<b>0.1</b>		

**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

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 the following three rules:

- WAC 458-57-105, titled: "Nature of estate tax, definitions."
- WAC 458-57-155, titled: "Farm deduction."
- WAC 458-57-175, titled: "Qualified family-owned business interests."

This rulemaking would affect people with a date of death on or after August 1, 2025.