

# HOUSE BILL REPORT

## HB 2515

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### As Reported By House Committee On:

Finance

**Title:** An act relating to simplifying estate tax penalties.

**Brief Description:** Simplifying estate tax penalties.

**Sponsors:** Representatives Stensen, Cox, Cooper, Thomas and Hurst; by request of Department of Revenue.

### Brief History:

#### Committee Activity:

Finance: 1/27/00, 2/1/00 [DP].

<h4>Brief Summary of Bill</h4>
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- Penalties for late filing of an estate tax return are reduced.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Cairnes, Republican Vice Chair; Reardon, Democratic Vice Chair; Carrell; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

**Staff:** Linda Brooks (786-7153).

### Background:

The state imposes a tax on the transfer of property at death. The tax is equal to the amount of tax authorized as a credit against the federal estate tax. As a result, the tax would be paid to the federal government, if the state did not impose it. Because the tax is tied to the federal credit, it only applies to estates valued at more than \$675,000. The state tax return is due when the federal tax return is due, which is usually nine months after the date of death.

The executor is required to file the federal estate tax return and is subject to a penalty under state law for failure to file. The penalty is equal to 5 percent of the tax due for each month that the return is late, not to exceed 25 percent of the tax due. This penalty is in addition to interest charged on the amount of tax due.

The Department of Revenue waives penalties, if the reason for the late filing of an estate tax return is due to circumstances beyond the control of taxpayer.

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**Summary of Bill:**

A person who voluntarily files a late estate tax return with the Department of Revenue owes no penalty. If a person files a late estate tax return only after being contacted by the Department of Revenue, then penalty is owed. The penalty equals 5 percent of tax due for each month that the return is late, not to exceed the lesser of 25 percent of tax due or \$1,500.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2000.

**Testimony For:** Although many persons know about federal estate taxes, they may not be aware of state estate taxes. Persons do not file estate tax returns every year. Many persons serve as executors of an estate only once or twice in their lifetimes. It is easy to understand why a person may not file an estate tax return on time. This reduction in the penalty for filing a late state estate tax return makes for a fairer system. Currently, when an estate tax return is filed late, the amount of penalty owed depends on the value of the estate. Thus, some persons pay much higher penalties than other persons do for the same error of filing late. This legislation sets a maximum penalty of \$1,500 for everyone.

**Testimony Against:** None.

**Testified:** Representative Michael Stensen, prime sponsor; and Tim Sekerak, Department of Revenue.