

FINAL BILL REPORT

HB 2515

C 105 L 00

Synopsis as Enacted

Brief Description: Simplifying estate tax penalties.

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

House Committee on Finance
Senate Committee on Ways & Means

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 state estate tax return along with a copy of the federal return and is subject to a penalty under state law for failure to file. The penalty is equal to 5 percent of tax due for each month that the return is late, not to exceed 25 percent of 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.

Summary of Bill:

A person who voluntarily files a late state estate tax return with the Department of Revenue owes no penalty. If a person files a late state 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.

Votes on Final Passage:

House 97 0

Senate 45 0

Effective: July 1, 2000