

HB 2515

Bill Analysis

January 27, 2000

Brief Description: Simplifying estate tax penalties.

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

Brief Summary of Bill

- Penalties for late filing of an estate tax return are reduced.

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 an estate tax return is due to circumstances beyond the control of taxpayer.

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 the lesser of either \$1,500 or 5 percent of the tax due for each month that the return is late.

Appropriation: None.

Fiscal Note: Available.

Effective Date: If enacted, this act takes effect on July 1, 2000.