

SENATE BILL REPORT

SB 6139

As Passed Senate, February 9, 2000

Title: An act relating to estate tax apportionment.

Brief Description: Modifying estate tax apportionment.

Sponsors: Senators Johnson, Heavey and Gardner.

Brief History:

Committee Activity: Judiciary: 1/12/2000, 1/19/2000 [DP].
Passed Senate, 2/9/2000, 47-0.

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Heavey, Chair; Kline, Vice Chair; Costa, Goings, Hargrove, Haugen, Johnson, Long, McCaslin, Roach, Thibaudeau and Zarelli.

Staff: Karen Lundahl (786-7421)

Background: The Washington estate tax apportionment statute provides that federal and state taxes due with respect to the value of an estate shall be divided proportionately among those with an interest in the estate. The statute currently includes several references to a section of the Internal Revenue Code which imposed an excise tax on distributions from retirement accounts. Congress recently repealed this tax, making references to it obsolete and confusing.

Exemptions, deductions and credits allowed by the law imposing a tax are considered in determining the proportionate share of the tax for each person with an interest in the estate. There is currently no specific provision concerning the deduction allowed under a newly enacted section of the Internal Revenue Code from the taxable value of an estate of up to \$675,000 of the value of a qualified family owned business.

The Washington State Bar Association recommends that all references to the repealed Internal Revenue Code section be removed from the Washington statute, and that sections be added to incorporate the Internal Revenue Code deduction relating to qualified family owned businesses.

Summary of Bill: References in the Washington estate tax apportionment statute to a repealed section of the Internal Revenue Code which imposed a federal excise tax on distributions from retirement accounts are deleted. A provision is added incorporating the Internal Revenue Code definition of qualified family owned business interest.— Other changes are made affecting the apportionment of estate tax liability among beneficiaries in cases involving qualified family owned businesses.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a necessary technical change to bring Washington statute in line with restructured Internal Revenue Code.

Testimony Against: None.

Testified: Alan Montgomery, Washington State Bar Association (pro).