
Finance Committee

HB 1884

Brief Description: Modifying estate tax provisions to provide an exemption for certain property held by family-owned businesses.

Sponsors: Representatives Linville, Orcutt, Hailey, Eddy, Wood, Grant, Ericks, P. Sullivan, Pettigrew, O'Brien, McDonald, Kristiansen, Newhouse, Roach, Dunn, Springer, Bailey, McCune, Ormsby and Warnick.

Brief Summary of Bill

- Deducts the value of family owned business interests when acquired by a family member from the estate tax.

Hearing Date: 2/23/07

Staff: Rick Peterson (786-7150).

Background:

Washington imposes a tax on the transfer of property at death. Washington's tax is a stand-alone state estate tax that is not affected by changes in federal law after 2005.

The tax does not apply to estates valued at \$1.5 million or less for persons dying in 2005 and at \$2 million or less thereafter. The rates range between 10 percent and 19 percent (for taxable estates over 9 million).

A deduction is allowed for qualified farm property plus the value of any tangible personal property used primarily for farming purposes on the farm. Fifty percent of the estate must be property used for farming, that the decedent or decedent's family must have materially participated in the operation of the farm, and that the property must pass to a family member. However, no requirement of continued use for farming is placed on the heirs, and special valuation need not be elected for federal purposes.

The revenue generated from the tax is deposited into the education legacy trust account.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill:

The value of family owned business interests is deducted from the estate tax when acquired by a family member. An additional deduction cannot be taken for property allowed a deduction as farm property.

Family-owned business interests qualified for the deduction include: an interest in a trade or business carried on as a proprietorship; an interest in a business entity if at least 50 percent is owned by the decedent and members of the decedent's family; or an interest in a business entity where 70 percent is owned by members of two families or 90 percent is owned by members of three families and at least 30 percent of the business is owned by the decedent and members of the decedent's family.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.