

SENATE BILL REPORT

SB 5099

As of January 17, 2023

Title: An act relating to transferring extraordinary revenue collections from the estate tax to the developmental disabilities community services account.

Brief Description: Transferring extraordinary revenue collections from the estate tax to the developmental disabilities community services account.

Sponsors: Senators Braun, Keiser, Conway, Dozier, Gildon, King, Kuderer, Mullet, Muzzall, Rivers, Rolfes, Short, Wagoner, Warnick and Wilson, L..

Brief History:

Committee Activity: Ways & Means: 1/17/23.

Brief Summary of Bill

- Deposits half of all revenues from the estate tax exceeding \$400,000,000 each fiscal year to the Developmental Disabilities Community Services Account.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Estate Tax. The estate tax is a tax on the right to transfer property at the time of death. The tax is sometimes referred to as a "transfer" tax. Unlike an inheritance tax, which is tax on the beneficiaries of an estate, the estate tax is on the decedent's estate. A Washington decedent or a non-resident decedent who owns property in this state may owe estate tax depending on the value of their estate. A person living in Washington who inherits property or money does not owe Washington taxes on the inheritance.

The tax applies to all property owned by the decedent on the date of death. The term "property" includes real estate and other property located in this state, as well as intangible

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assets owned by a Washington resident, regardless of location. After subtracting certain allowable deductions and a set exclusion amount, the remaining taxable estate is subject to a graduated rate schedule ranging from 10 to 20 percent. The current exclusion amount is \$2.193 million.

Estate Tax Revenues. The proceeds of the estate tax are deposited into the Education Legacy Trust Account (ELTA). The ELTA may be used only for the support of the common schools, and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts.

Developmental Disabilities Community Services Account. All proceeds from the leases or sales of real property, conservation easements, and sales of timber from the state-owned properties at the Fircrest Residential Habilitation Center, Lakeland Village Residential Habilitation Center, Rainier School, and Yakima Valley School must be deposited in the Developmental Disabilities Community Services Account. Real property the Department of Social and Health Services deems required for the operations of the residential habilitation centers is excluded from the real property that may be leased or sold for the benefit of the account. Also not included is any real property owned by the charitable, educational, penal, and reformatory institutions trust.

Account funds may only be used to support community-based services for persons with intellectual and developmental disabilities or for investment expenses by the State Investment Board.

Summary of Bill: Beginning in fiscal year 2024, and every fiscal year thereafter, half of all revenue from the estate tax exceeding \$400,000,000 must be transferred to the Developmental Disabilities Community Services Account.

The State Treasurer must make the transfer within 60 days of being notified by the Department of Revenue that revenue has exceeded \$400,000,000 during any fiscal year.

Appropriation: None.

Fiscal Note: Requested on January 9, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: When individuals with a high networth passes away, state tax revenue often increases, and this bill will allow the state to take some of that away as revenue to invest in services for developmentally disabled citizens. This creates a way to help the developmental disabilities community without immediate impact on state budget. As adjustments are needed, the limit and percentage can be dialed up and

down. This bill will be very helpful and a great start to improving funding. Current Medicare does not cover habilitative care. This bill will create a funding system for habilitative care so that those who need it can receive it. Habilitative support helps those with developmental disabilities avoid jail, hospitals, homelessness, and institutions. There is some concern that if this bill is passed, other action will not be pursued. This bill would work great if several millionaires passed away, but that has no guarantee.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Ramona Hattendorf, The Arc of King County; Diana Stadden, The Arc of WA State.

Persons Signed In To Testify But Not Testifying: No one.