



# INITIATIVE MEASURE 920

PROPOSED BY INITIATIVE PETITION

## *Official Ballot Title:*

Initiative Measure No. 920 concerns estate tax.

This measure would repeal Washington's state laws imposing tax, currently dedicated for the education legacy trust fund, on transfers of estates of persons dying on or after the effective date of this measure.

Should this measure be enacted into law?

Yes [ ] No [ ]

**Note:** The Official Ballot Title and Explanatory Statement were written by the Attorney General as required by law. The Fiscal Impact Statement was written by the Office of Financial Management. For more in-depth fiscal analysis, visit [www.ofm.wa.gov/initiatives/default.htm](http://www.ofm.wa.gov/initiatives/default.htm). The complete text of Initiative Measure 920 begins on page 21.



## *Fiscal Impact Statement*

### **Fiscal Impact Statement for Initiative 920**

Beginning July 1, 2007, Initiative 920 would eliminate \$184.5 million in revenue over the next two fiscal years by repealing the state estate tax. The state estate tax is dedicated to funding public schools (kindergarten through 12<sup>th</sup> grade) and higher education. The repeal would not affect revenue for this fiscal year, which began July 1, 2006 and ends June 30, 2007.

### **Assumptions for Fiscal Analysis of Initiative 920**

- The initiative would repeal the estate tax for taxable estates of people who die on or after the effective date of the initiative, which is 30 days after November 7, 2006.
- Estates in Washington valued at more than \$2 million currently pay a graduated rate ranging from 10 percent to 19 percent on the estate assets above the \$2 million threshold. The value of property used primarily for farming can be deducted from the taxable estate.
- Taxable estates are not required to pay any estate tax until nine months from the date of death of the estate owner. Because of this delay, a repeal of the estate tax would not lower state revenues until the 2007-09 budget period. The revenues for public schools and higher education in the Education Legacy Trust Account would be reduced by a projected \$184.5 million in the 2007-2009 budget period.
- The estate tax is deposited into the Education Legacy Trust Account. Funds in the Education Legacy Trust Account can be used only for class size reductions, extended learning opportunities and other public school improvement efforts adopted in Initiative 728; and for expanding access to higher education through new enrollments and financial aid; and other educational improvement efforts.





# INITIATIVE MEASURE 920

## *Explanatory Statement*

### **The law as it presently exists:**

Washington law currently imposes a tax on the transfer of an estate of a deceased person if the taxable value of the estate is at least 2 million dollars. The gross value of a deceased person's estate includes the value at the time of death of all of the deceased person's property, real or personal, tangible or intangible, wherever it is located. The taxable estate is determined by subtracting two million dollars, and various deduction amounts allowed under state law, from the gross value of the estate. The value of certain qualified property, as described in the law, such as farmland and timberland, may be deducted from the taxable value of the estate if the property is passed to a family member of the deceased person and certain other requirements are satisfied. Thus, such farmland and timberland generally are not subject to Washington's estate tax.

The Washington estate tax is computed according to a table in the law. The tax rates and tax amounts specified in the table are graduated to increase with the value of the taxable estate. The minimum tax rate is ten percent for taxable estates of up to one million dollars, and the tax rate increases to a maximum of 19 percent on the portion of the taxable estate over nine million dollars.

The revenues from this estate tax, including penalties, interest, and fees, are deposited in the education legacy trust account. Money in the education legacy trust account may be used only for deposit into the student achievement fund, for expanding access to higher education, and other educational improvement efforts. The education legacy trust account is funded by the estate tax, a portion of the cigarette tax, and certain interest earnings on the account.

Washington's estate tax is independent of any federal estate tax obligations, and is not affected by the payment of federal estate taxes.

### **The effect of the proposed measure, if it becomes law:**

This measure would repeal Washington's estate tax. The repeal would apply to the estates of persons dying on or after the effective date of the measure. The repeal would affect only the Washington estate tax. A deceased person's estate would still be subject to federal laws imposing federal estate tax. Repeal of the Washington estate tax would discontinue that source of revenue for the education legacy trust account.



## ***Statement For Initiative Measure 920***

### **YOUNG PEOPLE HARDEST HIT BY A DEATH TAX ON THE FAMILY'S HARD-EARNED ASSETS**

Young people look forward to an economically successful life. They don't need another tax on their family's hard-earned assets. Young people may think they will never face death taxes, but when a family member dies and a business or property must be sold in order for the government to take its cut, they realize what an unfair tax it is. The Death Tax reduces entrepreneurial endeavors that create jobs and expand capital formation. Death should not be a taxable event.

### **JOBS AND BUSINESS ARE ERODED BY ESTATE TAX (DEATH TAX) AND ALL CITIZENS AFFECTED**

Entrepreneurship and jobs in the free enterprise system produce successful citizens and wealth. Small business owners create 97% of the jobs in Washington. Death taxes penalize savings, investment capital, business development and unjustly force the breakup of thousands of businesses and properties. Businesses and jobs disappear. Employers, employees, retirees and heirs all lose when death taxes force liquidation of assets.

### **SENIORS THRIVE ON SUCCESS OF THEIR CHILDREN (SUCCESS SHOULD BE REWARDED NOT PENALIZED)**

Whether helping finance a car, home, real estate, or business, seniors thrive on helping their children and grandchildren. They want them to economically succeed. Individual entrepreneurial success should be rewarded and their hard-earned money should stay theirs to dispose of as they wish. Past revenue appraisers even appraised wedding rings. A grandparent's or parent's death should not trigger a tax and penalize heirs.

### **DEATH SHOULD NOT BE A TAXABLE EVENT— VOTE "YES" ON I-920**

Washington voters abolished inheritance taxes in 1981, with *Yes* - 610,507 (67.24%), *No* - 297,445 (32.76%). This "new" Washington Estate Tax is separate from the federal estate tax resulting in survivors possibly paying nearly 70% in taxes. Death should not be a taxable event. Vote "Yes."

For more information, visit [www.NoEstateTax.org](http://www.NoEstateTax.org) or call 253.565.1776.

### ***Rebuttal of Statement Against***

Repealing the estate tax will not reduce general funds for education. The estate tax burdens working family businesses that invest capital to create jobs in Washington. Traditionally, education funding comes from the general fund, is accountable to performance audits and legislative review. Funding, using government, to tax at death is a burden on the American family dream of prosperity, accumulating property and giving to your children and grandchildren. Death should not be a taxable event.

#### ***Voters' Pamphlet Argument Prepared by:***

DENNIS FALK, Chairman, Committee to Abolish Washington State Estate Tax; GENE E. LYNN, owner, Careage; CLAYTON R. JONES, Executive, Red Shield Insurance Company; LEE KEARNEY, retired; MARCIA ATKINSON, writer; LINDA G. HANNA, retired.

## ***Statement Against Initiative Measure 920***

### **DON'T REPEAL FUNDS FOR PUBLIC EDUCATION**

I-920 would gut a vital source of dedicated funding for education by repealing Washington's estate tax. No one who's not a multimillionaire pays the tax.

### **ONLY THE WEALTHIEST ESTATES PAY; FAMILY FARMS EXEMPT**

The estate tax affects less than 1% of Washington's families, applying only to estates worth more than \$2 million for individuals and \$4 million for couples. In fact, taxes are only charged on amounts above those thresholds. If a couple's estate is worth \$4,050,000, taxes are only 10% of \$50,000.

Family farms are totally exempted, so farmers can freely pass their property on to their children.

### **A FAIR AND REASONABLE WAY TO GIVE BACK TO THE COMMUNITY**

As it is, Washington's working- and middle-class families already pay too much of the tax burden. The estate tax is a fair and reasonable way for the fortunate few to give something back. Repealing it will take \$100 million away from public schools and penalize thousands of kids.

### **IT'S A MATTER OF PRIORITIES: MORE EDUCATION NOT MORE TAX BREAKS FOR MULTIMILLIONAIRES**

Estate taxes by law go into the Education Legacy Trust Fund. The Fund is instrumental in the voter-mandated effort to help reduce K-12 class sizes, giving students more individual attention from teachers. Washington's classes are among the nation's largest and I-920 would frustrate efforts to reduce class sizes.

The Trust Fund also supports efforts to make higher education more affordable for students from working families.

It is far more important to support public education than to allow a few wealthy heirs to avoid paying their fair share. It's a one-time payment from the very few and it means so much to thousands of kids. Vote *no* on I-920.

For more information, call 206.621.1042.

### ***Rebuttal of Statement For***

The few heirs affected by the estate tax are the wealthiest among us. Only estates over \$2 million for individuals (\$4 million for couples) pay any tax.

The most fortunate should give back something to the society that made their wealth possible.

99.5% of estates, including all family farms and most small businesses, pay *no* tax.

Enacting this measure would take \$100 million from public education.

Vote *no* – no more tax breaks for multimillionaires!

#### ***Voters' Pamphlet Argument Prepared by:***

CHARLES HASSE, fourth-grade teacher, Washington Education Association President; WILLIAM H. GATES, author of *Wealth and Our Commonwealth*; KAREN GUZAK, Snohomish entrepreneur and small business owner; JOHN SENSENEY, third generation apple grower; PAMELA J. STEINBURG, middle school math teacher in Wenatchee; JAMES RUSHING, small business owner in Thurston County.



AN ACT Relating to taxation; creating new sections; and repealing RCW 83.100.010, 83.100.020, 83.100.040, 83.100.046, 83.100.047, 83.100.050, 83.100.060, 83.100.070, 83.100.080, 83.100.090, 83.100.095, 83.100.110, 83.100.120, 83.100.130, 83.100.140, 83.100.150, 83.100.160, 83.100.170, 83.100.180, 83.100.190, 83.100.200, 83.100.210, 83.100.220, 83.100.900, 83.100.901, 83.100.902, 83.100.903, 83.100.904, and 83.100.905.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

**NEW SECTION. Sec. 1.** The intent of this act is to prohibit taxes triggered by death. All death, estate, gift, and inheritance taxes are prohibited in the state of Washington.

**NEW SECTION. Sec. 2.** The following acts or parts of acts are each repealed:

- (1) RCW 83.100.010 (Short title) and 2005 c 516 s 19, 1988 c 64 s 1, & 1981 2nd ex.s. c 7 s 83.100.010;
- (2) RCW 83.100.020 (Definitions) and 2005 c 516 s 2, 2001 c 320 s 15, 1999 c 358 s 19, 1998 c 292 s 401, 1994 c 221 s 70, 1993 c 73 s 9, 1990 c 224 s 1, 1988 c 64 s 2, & 1981 2nd ex.s. c 7 s 83.100.020;
- (3) RCW 83.100.040 (Estate tax imposed--Amount of tax) and 2005 c 516 s 3, 1988 c 64 s 4, & 1981 2nd ex.s. c 7 s 83.100.040;
- (4) RCW 83.100.046 (Deduction--Property used for farming--Requirements, conditions) and 2005 c 514 s 1201 & 2005 c 516 s 4;
- (5) RCW 83.100.047 (Marital deduction, qualified domestic trust--Election--Other deductions taken for income tax purposes disallowed) and 2005 c 516 s 13;
- (6) RCW 83.100.050 (Tax returns--Filing dates--Extensions) and 2005 c 516 s 5, 1988 c 64 s 6, 1986 c 44 s 1, & 1981 2nd ex.s. c 7 s 83.100.050;
- (7) RCW 83.100.060 (Date payment due--Extensions) and 2005 c 516 s 6, 1988 c 64 s 7, & 1981 2nd ex.s. c 7 s 83.100.060;
- (8) RCW 83.100.070 (Interest on amount due--Penalty for late filing--Exceptions--Rules) and 2005 c 516 s 7, 2000 c 105 s 1, 1997 c 136 s 1, 1996 c 149 s 13, 1988 c 64 s 8, & 1981 2nd ex.s. c 7 s 83.100.070;
- (9) RCW 83.100.080 (Department to issue release) and 1988 c 64 s 9, 1986 c 44 s 2, & 1981 2nd ex.s. c 7 s 83.100.080;
- (10) RCW 83.100.090 (Amended returns--Adjustments or final determinations) and 2005 c 516 s 8, 1988 c 64 s 10, & 1981 2nd ex.s. c 7 s 83.100.090;
- (11) RCW 83.100.095 (Examination by department of returns, other information--Assessment of additional tax, interest) and 2005 c 516 s 14;
- (12) RCW 83.100.110 (Tax lien) and 2005 c 516 s 9, 1988 c 64 s 11, & 1981 2nd ex.s. c 7 s 83.100.110;
- (13) RCW 83.100.120 (Liability for failure to pay tax before distribution or delivery) and 1981 2nd ex.s. c 7 s 83.100.120;
- (14) RCW 83.100.130 (Refund for overpayment--Requirements) and 2005 c 516 s 10, 1997 c 157 s 6, 1996 c 149 s 14, 1988 c 64 s 12, & 1981 2nd ex.s. c 7 s 83.100.130;
- (15) RCW 83.100.140 (Criminal acts relating to tax returns) and 2005 c 516 s 11, 1988 c 64 s 13, & 1981 2nd ex.s. c 7 s

83.100.140;

(16) RCW 83.100.150 (Collection of tax--Findings filed in court) and 2005 c 516 s 12, 1988 c 64 s 14, & 1981 2nd ex.s. c 7 s 83.100.150;

(17) RCW 83.100.160 (Clerk to give notice of filings) and 1993 c 413 s 1 & 1988 c 64 s 15;

(18) RCW 83.100.170 (Court order) and 1988 c 64 s 16;

(19) RCW 83.100.180 (Objections) and 1999 c 42 s 636 & 1988 c 64 s 17;

(20) RCW 83.100.190 (Hearing by court) and 1988 c 64 s 18;

(21) RCW 83.100.200 (Administration--Rules) and 1988 c 64 s 19;

(22) RCW 83.100.210 (Application of chapter 82.32 RCW--Closing agreements authorized) and 2005 c 516 s 15 & 1996 c 149 s 18;

(23) RCW 83.100.220 (Deposit of funds into education legacy trust account) and 2005 c 516 s 16;

(24) RCW 83.100.900 (Repeals and saving) and 1981 2nd ex.s. c 7 s 83.100.160;

(25) RCW 83.100.901 (Section captions not part of law) and 1981 2nd ex.s. c 7 s 83.100.170;

(26) RCW 83.100.902 (New chapter) and 1981 2nd ex.s. c 7 s 83.100.180;

(27) RCW 83.100.903 (Effective date--1981 2nd ex.s. c 7) and 1981 2nd ex.s. c 7 s 83.100.190;

(28) RCW 83.100.904 (Captions--1988 c 64) and 1988 c 64 s 30; and

(29) RCW 83.100.905 (Severability--1988 c 64) and 1988 c 64 s 31.

**NEW SECTION. Sec. 3.** This act applies to the estates of people who die on or after the effective date of this act.

**NEW SECTION. Sec. 4.** The provisions of this act are to be liberally construed to effectuate the intent and purpose of this act in favor of Washington state residents.

**NEW SECTION. Sec. 5.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

#### PLEASE NOTE

In the text of the measures, any language in double parentheses with a line through it is existing state law and will be taken out of the law if the measure is approved by voters. Any underlined language does not appear in current state law but will be added to the law if the measure is approved by voters.