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PRACTICAL AND TAXWISE ESTATE PLANNING

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ESTATE PLANNING

1. Why Have A Will?

A will is necessary to:

- pass property the way you want;
- select a guardian for children;
- designate who handles your affairs after death;
- accomplish important tax planning (in most cases).

2. What Happens If You Die Without A Will?

In Washington when a person has no will, the "intestacy statute" provides how your property passes. A court will choose your guardian, and the law will determine who handles your affairs after death. The intestacy statute distributes property as follows*:

Community property:

- 100% to surviving spouse.
- If no surviving spouse, 100% to children and descendants of deceased children.
- If no children or descendants, then 100% to parents.
- If no parents, 100% to brothers and sisters and descendants of deceased siblings.

Separate property:

- If spouse and children survive, 1/2 to spouse and 1/2 to children.
- If no children survive, but spouse and one or more of decedent's parents or descendants of his or her parents survive, 3/4 to spouse and 1/4 to parents and/or descendants.
- If no children, parents or descendants of parents, but spouse survives, all to spouse.

3. <u>What To Know About How Wills Work</u>.

(a) The decedent's will controls only the decedent's one-half of the community and quasi-community property and 100% of the decedent's separate property. The surviving spouse has a right to his or her undivided 50% interest in community property and quasi-community property (see below). However, 100% (both halves) of the community property are subject to probate administration and receive a step-up in tax basis to the fair market value for capital gain purposes.

(b) Children have no right to receive property under a will, provided they are named in the will to prove they have not been forgotten.

(c) In the event of a divorce in Washington, each former spouse by law is written out of the other former spouse's will and thus loses the right to receive property under the other spouse's will unless a new will is made naming the former spouse.

(d) In Washington, holographic (<u>i.e.</u>, handwritten and unwitnessed) wills are absolutely ineffective unless valid in the jurisdiction where executed.

(e) In Washington, a will may be supplemented by a letter which does not conflict with a will to pass items of tangible personal property (but not other property such as financial assets or real estate), if the will permits this, and the letter is signed by the maker of the will.

(f) A person who acts as a witness to a will cannot receive more under the will than he or she would have received under the intestacy law.

4. <u>What Is Community Property And How Is It Different From Separate Property</u>?

(a) In Washington (and eight other community property states) all acquisitions during marriage while a permanent resident of the state are presumed to be community property. All property acquired prior to marriage, and any gifts or inheritances (and the income from the property), are a spouse's separate property. A person asserting separate property ownership must prove it by clear and convincing evidence.

(b) The "Quasi-Community Property" statute (RCW 26.16) provides that at the death of a spouse, separate property of the decedent which would have been community property when it was acquired if the owner had then been a Washington resident is treated as community property. In other words, the surviving spouse automatically becomes the owner of 50% of that separate property so that 50% is not governed by the decedent's will. Quasi-community property law applies only at death.

(c) Either spouse can control the community property except both must participate in real estate transactions, disposition of significant business assets, and gifts. Any obligation incurred by either spouse is presumed to bind all community property (both halves) as well as that spouse's separate property, and thus is attachable by creditors.

(d) Notarized agreements regarding whether property is community or separate property are generally enforceable unless essentially unfair under the circumstances. Such agreements can only be revoked or changed with the written agreement of both spouses.

(e) Under Washington law unmarried persons living together in a "committed intimate relationship" may have rights in each other's property.

> Whether a relationship is properly characterized as a committed intimate relationship depends on the facts of each case, including whether there was continuous cohabitation, the length and purpose of the relationship, whether there is pooling of resources and services, and the parties' intent.
>
> At the death of a partner in a committed intimate relationship, the surviving partner is entitled to a "fair and equitable" portion of what would have been community property if the couple was married.
>
> A separate handout, available on request, discusses this further.

5. **<u>Is There Any Property That Is Not Controlled By My Will</u>?**

(a) Certain assets of a decedent are not affected or controlled by a will at death. These are called non-probate assets and include:

(i) Property held in joint tenancy with right of survivorship (JTWROS). This form of title is "John Doe and Mary Doe as Joint Tenants With Right of Survivorship." At the death of an owner, property held in JTWROS passes automatically to the surviving owner. For bank accounts only, title in the name of "John Doe <u>or</u> Mary Doe" will create a right of survivorship. If the title to property is held in the form of "John Doe <u>and</u> Mary Doe," or "John Doe <u>and</u> Mary Doe, as tenants in common," each person owns 50% and the decedent's 50% of the property passes as provided in the will or by intestacy.

(ii) Property held in tenancy by the entirety (only in some common law states like Alaska and Oregon, but not in Washington), passes automatically to the surviving spouse. This form of title is "John Doe <u>and</u> Mary Doe, husband and wife."

(iii) Property held in trust for another is controlled by the trust instrument, not the will. This includes assets held in a "living trust" which is a revocable trust used primarily as a will substitute to avoid probate. Such revocable living trusts have absolutely no income tax or death tax consequence; i.e., there is no tax benefit or detriment resulting from their use.

(iv) "Pay on Death" bank accounts.

(iv) Life insurance, pension, 401(k) plans, H.R.10 plans, retirement benefits, IRAs and annuities are controlled by a beneficiary designation.

(v) A notarized community property agreement which specifically provides for automatic transfer of community property at death to the surviving spouse is not controlled by the will.

(b) A bank signature card is a legal contract and its language controls form of title to the account.

6. **<u>What Is A Probate (And Should I Avoid It)</u>?**

Probate is a court proceeding to supervise winding up of a decedent's affairs. It involves appointment of a personal representative (also called an "executor") to:

(a) Locate and gain control of decedent's assets.

(b) File an inventory of assets with the court.

(c) Pay decedent's debts and taxes. Death tax returns are due nine months after death.

(d) Dispose of remaining assets in accordance with the terms of decedent's will or the laws of intestate succession.

Unlike many other states, Washington's probate procedure is very expeditious and inexpensive. If the estate is solvent, the court issues an order of solvency, which gives the personal representative complete power to act without court intervention on nearly all matters.

Out-of-state real property normally requires ancillary probate in that state to clear title, unless held in JTWROS or in trust. It is generally recommended that out-of-state real property be held in a revocable trust to avoid probate (see below).

7. **<u>What Is A Trust And How Does It Work</u>?**

(a) A trust is a legal arrangement which separates legal ownership from beneficial use of property.

(b) The rights, duties, powers, obligations and liabilities of the legal owner (the trustee) and beneficiaries (persons for whose benefit the property is held) are governed by the trust agreement, which is a legal contract. To the extent the agreement is silent on any matter, there is a substantial body of trust law which governs.

(c) Trust law generally is very conservative. It requires the trustee to seek to conserve assets rather than maximize investment return. It requires substantial diversification of assets and limits the types of assets which may be held in trust. Such restrictions can be modified by the trust instrument.

(d) Establishing a trust requires two acts:

(i) execution of the trust document; and

(ii) transfer of assets to the trustee.

(e) Any legally competent individual, most types of banks, or a trust company may be trustee. The essential criteria for trustee selection are trustworthiness and good judgment. Professional expertise can be hired. Certain banks and trust companies, including the Dorsey & Whitney Trust Company, provide excellent service.

(f) Income tax treatment:

(i) A revocable trust (often referred to as a "living trust") is treated as no trust at all for tax purposes. The person with the right of revocation is treated as the owner of the trust assets for tax purposes.

(ii) With few exceptions, all other trusts are separate taxpayers which are entitled to a deduction for distributions of trust income to beneficiaries. The beneficiary must pay income tax on the distributions received from the trust to the extent the distribution includes trust income and the trust received a distribution deduction. Trusts must file federal income tax returns (Form 1041) and make quarterly estimated tax payments.

8. **Overview of the Dorsey & Whitney Trust Company (DWTC).**

(a) Integrated Service. DWTC is wholly owned and operated by the law firm of Dorsey & Whitney LLP ("Dorsey"). DWTC focuses on providing clients with personalized fiduciary administration and wealth management services. It is committed to understanding the strategic and financial goals of clients, as well as personal and family circumstances relevant to fulfilling these goals. A Dorsey lawyer will manage a client's overall relationship with DWTC and oversee estate, gift and income tax planning appropriate for financial, tax and family goals. This continued reliance on trusted counsel helps to ensure continuity, convenience and a comprehensive suite of services.

(b) Investment Management. Clients of DWTC are free to use their own investment advisors. DWTC recognizes and respects the professional expertise and long-term track records of the wide array of investment advisors whose services are available to you and to us. DWTC collaborates with these investment advisors regardless of location by providing secure, integrated technology support for transaction processing and performance reporting and allows online access to review holdings and transactional activity.

(c) Sensible Fees. DWTC fees are relationship-based and commensurate with the value-added services we provide. DWTC fees are competitive.

9. **Be Sure To Have A Durable Power Of Attorney**.

This is a notarized document to give another legal authority to act on your behalf with respect to financial or health care decisions after incompetency. A durable power of attorney can avoid costly and complicated guardianship proceedings.

10. **What Happens In A Guardianship?**

The purpose of the guardianship, conservatorship, and other protective arrangement statutes as stated in RCW 11.130.001 is to protect "the liberty and autonomy" of Washington residents and to "enable them to exercise their rights under the law to the maximum extent, consistent with the capacity of each person."

The relationship between the guardian or conservator and his or her ward is a legal one, strictly governed by state law and the courts. Generally, the courts have wide discretion in the selection of a suitable guardian or conservator, giving special recognition to family members and the wishes of the incapacitated person.

It can be difficult to get a guardian or conservator appointed because whether a guardian or conservator is needed is a legal, not a medical decision, based on the following criteria:

(a) Guardian: whether there is significant risk of harm to physical health, safety, or self-care because the adult is unable to receive and evaluate information or make or communicate decisions, even with support or assistance.

(b) Conservator: whether there is significant risk of personal or financial harm because the adult is unable to manage property or financial affairs, either because the adult is unable to receive and evaluate information or make or communicate decisions, even with support or assistance, or because the adult is missing, detained, or unable to return to the United States.

Before appointing a guardian or conservator, the court must consider whether less restrictive alternatives, including a protective arrangement, would meet the adult's needs. Anyone can file a petition for guardianship, including the prospective ward or prospective guardian. Once a petition is filed with the courts, the procedure begins with notice to all interested parties and the appointment of a court visitor (formerly called a "guardian ad litem"). The court visitor has the responsibility to investigate the situation and make a recommendation to the court. This investigation begins with an interview with the alleged incapacitated person making sure he or she understands his or her rights, the process, and the consequences of becoming a ward. The court visitor report which includes a medical and/or psychological evaluation is provided to all interested parties. If the court visitor recommends a guardianship and there is no objection, a simple hearing will result in the implementation of a guardianship. If any interested person objects, then there will be a contested hearing.

11. **A Health Care Directive Is Also Important.**

A Health Care Directive (also known as a living will – not to be confused with a "living trust") is a witnessed statement reflecting philosophy of life and views on artificial life-sustaining systems in catastrophic situations. It is highly recommended that each adult family member have one in force.

12. **Overview Of The Estate And Gift Tax.**

(a) ***Federal estate tax*** is payable nine months after the date of death on the value of the net estate in excess of (i) the exemption amount, and (ii) the value of property passing to a surviving spouse or qualified Marital Trust for the surviving spouse or to charity. The federal estate and gift tax rate is 40%. In 2024 the federal estate tax exemption amount is $13,610,000 per person, increased annually for inflation. In 2026, this amount will also be reduced to $5,000,000 per person, indexed for inflation from 2010. Special planning in the form of a "Qualified Domestic Trust" (not discussed in detail in this outline) is necessary to avoid estate and gift tax on transfers to a spouse who is not a U.S. citizen.

(b) ***Federal gift tax*** is levied on a basis similar to the estate tax, except:

(i) In 2024 the lifetime federal gift tax exemption is also $13,610,000, increased annually for inflation, and to the extent used during life reduces the federal estate tax exemption. In 2026, this amount will also be reduced to $5,000,000 per person, indexed for inflation from 2010.

(ii) Each donor is entitled to an additional annual gift tax exclusion of $18,000 per donee per year. This means a husband and wife can give a total of $36,000 to as many people as they wish during any calendar year without filing a gift tax return, provided the gift is a "present interest" in property. This exemption is also increased annually for inflation in $1,000 increments.

(iii) Amounts passing to a spouse or a qualified Marital Trust for the benefit of a spouse are exempt from gift tax if the spouse is a U.S. citizen. If the spouse is not a U.S. citizen, regardless of residence, the amount of tax-free gifts is limited to $185,000 per year in 2024 and the gift must be a "present interest" and otherwise qualify for the gift tax marital deduction. The $185,000 amount is increased annually for inflation.

(iv) Amounts paid directly to schools for education or paid directly for medical care are exempt from gift tax.

(c) ***State Gift Tax.*** Washington does not have a separate gift tax. Because there is a Washington State estate tax, this circumstance provides a significant tax planning opportunity for Washington residents or non-residents who own Washington real estate.

(d) ***Generation-skipping transfer tax*** ("GST Tax") is a 40% federal tax on gifts or bequests in excess of the GST Tax exemption to persons assigned to a generation which is two or more generations below the generation of the transferor, e.g., a gift from a grandparent to a grandchild. The time at which the gift is valued is critically important. The GST Tax exemptions include:

(i) $18,000 per year per donee annual exclusion. Gifts in trust must meet special additional requirements to qualify.

(ii) Gifts for qualified educational or medical expenses.

(iii) $13,610,000 lifetime exclusion, indexed for inflation (and like the lifetime federal gift and estate tax exemption, scheduled to be reduced in 2026).

(d) ***Washington State Estate Tax.*** The Washington estate tax is calculated on the value of the federal taxable estate, less an exemption of

$2,193,000. All deductions allowed for federal estate tax purposes are allowed for the Washington Estate Tax. In addition, a deduction is allowed for the full value of family owned farms (including certain timberland) used in a qualified way for 5 of the last 8 years, personal property used primarily in farming, and certain qualified family-owned business interests if the heir continues the operation of the trade or business for three years.

After a $2,193,000 exemption, the Washington Estate Tax rates range from 10% to 20% on a taxable estate in excess of $9,000,000 and are shown on the tax chart attached as Exhibit A. Washington estate tax payments are allowed as deductions against the federal estate tax. As a result of the federal tax saved by the federal estate deduction for state taxes, the net effective tax rates for Washington estate tax are 40% less than the stated federal rates. So the maximum 20% rate is a net operative rate of 12% and the highest combined state and federal marginal estate tax rate is 52%.

The Washington Estate Tax is applicable to all assets of persons domiciled in Washington except real property outside the state, and for persons not domiciled in Washington, all real estate and tangible personal property located in the state.

The lack of a Washington State gift tax creates significant planning opportunities. In some cases, adding a provision in the will to treat deathbed gifts as an advancement of inheritance may be advisable to avoid distortion of the estate plan or any possible disputes.

13. **What Are The Best Strategies To Minimize Estate And Gift Tax?**

(a) Exemption Trust. Each person now has a federal estate and gift tax exemption of $13,610,000. Under current law this exemption is "portable" in the sense that the second-dying spouse can use the predeceased spouse's unused exemption up to the value of property received from the spouse. It is often better planning for the will of the first spouse to die to establish an "Exemption/Bypass" trust which is funded with the exemption amount so those assets as well as the appreciation in value are not taxed in the surviving spouse's estate. There is a $2,193,000 Washington State death tax exemption (which is not "portable") and no Washington State gift tax. Language in the spouses' wills to coordinate the preservation of both the federal and state exemptions at the death of the first-dying spouse is important.

(b) Life Insurance. Insulate life insurance proceeds from death tax by use of an irrevocable trust or direct ownership by the beneficiaries.

(c) IRA/401(k)/Retirement Plan Beneficiary Designations. Review retirement plan beneficiary designations carefully to assure spousal rollover tax treatment and to maximize deferral of distributions in order to preserve the tax-free status. Also consider distributing to charity from this source in order to save both income tax and estate tax. A charitable gift under a will receives an estate tax deduction but no income tax deduction.

(d) Annual Gift Tax Exclusion Gifts. Maximize the use of each person's annual $18,000 federal gift tax exclusion per donee. In other words, anyone can give $18,000 per year to as many people, or trusts for their benefit, as they wish with no gift tax. This annual exclusion is totally separate and different from the lifetime exemption. Therefore, a married couple with two children can give $72,000 per year to a trust for their children without gift tax and without reducing their federal lifetime gift and estate tax exemptions. There is no Washington State gift tax. If annual gifts of $18,000 are made for 25 years and the trust grows at a 7% annual compounded rate, roughly $1,218,000 will pass tax free to the children and approximately $630,000 of estate tax will be saved at the 52% net combined state and federal maximum rate. If a married couple with two children gives $72,000 per year to a trust, then over $4,870,000 will pass tax free to the children and approximately $2,530,000 of estate tax will be saved.

(e) Tuition and Medical Payments. Maximize use of the unlimited exemption from gift tax for any school tuition payment (any college, high school or elementary school) and medical payments. Such payments can be made to benefit anyone for any reason, but payments must be made directly to the school or medical provider.

(f) Lifetime Tax-Exempt Gifts. Since there is no Washington State gift tax, gifts during life totally avoid any Washington State estate tax, which can result in a 10% to 20% tax saving for estates in excess of $2,193,000. Consider making gifts to use the $13,610,000 lifetime federal gift tax exemption early to save federal estate tax on the post-gift appreciation and eliminate all Washington death tax on the gift. Since any gift to a spouse is exempt from gift or estate tax, this lifetime exemption applies to gifts to persons other than a spouse. Various techniques to maximize this opportunity are suggested below.

(g) Qualified Personal Residence Trust ("QPRT"). Consider establishing a QPRT whereby your primary or secondary residence is transferred to a trust with you retaining the right to live there for a term of years, after which it passes to your children. If you outlive the term, very significant estate tax is saved. This is a popular and painless way to use the lifetime exemption early. It has high leverage and few negative considerations, especially if the residence has substantial value. (Outline providing further information is available.)

(h) Grantor Retained Annuity Trust ("GRAT"). Consider establishing a GRAT which allows the donor to gift assets to a trust which pays an annual fixed amount to the donor for a term of up to 20 years and then passes the balance of the trust assets to children. One variation of this technique is to establish a series of "Zeroed-Out GRATS" with two-year terms which can be a very tax-effective way to transfer much of the appreciation in publicly-traded stock to the next generation. Zeroed-Out GRATs are one of the few estate planning options which provide potential for tax savings on stock appreciation without making a taxable gift at creation. A GRAT is treated as a "grantor trust" under the tax law which means the trust is ignored for income tax purposes so the donor reports all trust income and deductions on the donor's income tax return as if the stock in the GRAT had not been transferred. (Outline providing further information is available.)

(i) Limited Liability Company ("LLC"). Consider establishing a family LLC, funding it with real estate or marketable securities, and then gifting units of the LLC. This results in valuation discounts from 25% to 55% in the aggregate for lack of control and lack of marketability, resulting in substantially greater tax savings than giving the underlying asset directly. If annual exclusion gifts of $18,000 per year consists of units of a family LLC with a 30% valuation discount, the liquidation value (i.e., the value without the discount) of the gifted units in trust in 25 years, assuming a 7% appreciation rate is roughly $1,740,000 with a death tax saving of approximately $900,000 at the 52% net combined rate.

(j) Tax Free Sale to Irrevocable Grantor Trust. This technique allows individuals to significantly reduce estate tax by shifting future appreciation to their loved ones while at the same time continuing to enjoy cash flow from their assets. Rather than making a gift that is subject to gift tax, the donor sells units of a family LLC to an irrevocable grantor trust on an installment basis. The sales price is fair market value taking into account substantial minority interest and lack of marketability discounts, in the 25% to 40% range. The trust makes the note payments with interest at a minimum IRS established rate to the donor with the cash flow received from the purchased units. The donor cannot be trustee of the trust and cannot have any power to control distributions to the beneficiaries. It is recommended that the donor not be the manager of the LLC. This technique produces substantial tax savings with predictable long term cash flow to the donor/grantor. (Outline providing further information is available.)

(k) Dynasty Trust. Consider making generation-skipping gifts to a trust that benefits your children for life, then your grandchildren and great grandchildren, to save death tax at your death and your children's deaths. Each person has a $13,610,000 GST Tax exemption. The GST Tax is a separate tax over and above the gift and estate tax. A person can gift $13,610,000 (the current exemption amount) to a generation-skipping trust which currently distributes income to their children, with principal distributions made to grandchildren and their descendants without any further tax. This "Dynasty Trust" can remain in force for 150 years under Washington law or in perpetuity if the trust is governed by the law of certain other states like South Dakota. If a $13,610,000 gift were made to a trust for the benefit of grandchildren only, and grew at an annual compounded rate of 7% with no distributions until the couple died 25 years later, the grandchildren would receive approximately $73,870,000 free of estate tax. This would save approximately $38,410,000 of state and federal estate tax at the net combined 52% maximum rate as well as very significant GST Tax.

(l) Charitable Gifts. Consider making charitable gifts now rather than at death to obtain both income tax and death tax savings.

(1) Appreciated Stock. Making gifts of appreciated securities (rather than cash) to charity results in an income tax charitable deduction equal to the fair market value of the securities and saves the capital gain tax that would have been generated if the securities were sold.

(2) Charitable Remainder Unitrust ("CRUT"). Establishing a CRUT allows the donor (or donor's designee) to receive a guaranteed income stream from the trust for life (or a term of years) and to get an income tax charitable deduction at the time of the gift for the actuarial value of what will eventually pass to charity (a 65-year old could retain a 6% annuity for life, and the tax deduction is approximately 40% of the contribution). Also, there is no capital gain tax on sales of trust assets and no death tax on the trust assets which pass to charity. (Outline providing further information is available.)

(3) Charitable Lead Annuity Trust ("CLAT"). Establishing a CLAT results in payment of a fixed amount annually to charity for a term of years with the balance of the trust assets thereafter passing to the donor's children. The donor may receive an income tax charitable deduction in the year of the gift or

instead, at the donor's option, the trust may receive a charitable income tax deduction annually, which is often the best alternative. Eventually the balance of the assets (with any appreciation) pass to the donor's children with substantial estate and gift tax saving. For example, if a couple contributes $2,000,000 to a CLAT that pays $100,000 annually to charity for 20 years with the balance at the end of the term passing to children, the donor is treated as making a current gift of $753,780 to the children and $1,246,220 to charity. There is a $1,246,220 charitable deduction available for use over 6 years. The couple will owe no gift tax assuming the lifetime exemptions had not been previously used, but the gift will use $753,780 of their combined $27,220,000 lifetime gift tax exemptions. If the trust yields an annual return of 7% before the annual charitable distribution, the children will receive approximately $3,640,000 tax free in 20 years. (Outline providing further information is available.)

(4) Private Foundation or Donor Advised Fund. Establishing and funding a Private Foundation or Donor Advised Fund provides substantial tax savings and allows a family to control funds (in the case of a foundation) or to make recommendations (in the case of a donor advised fund) for annual distributions to charity. (Outline providing further information is available.)

(5) Charitable Income Tax Deduction Limitations/Carryover.

(i) The maximum income tax charitable deduction in any year for a contribution to a school, hospital, church or other public charity is 60% of the taxpayer's Adjusted Gross Income ("AGI") for cash gifts and 30% of the taxpayer's AGI for gifts of capital gain property. If the property is not capital gain property, i.e., inventory or assets that would produce ordinary income or short term capital if sold, the amount of the deduction is the taxpayer's adjusted tax basis in the assets.

(ii) The maximum annual deduction for gifts to a non-operating private foundation is 30% of AGI for cash gifts, and 20% of AGI for gifts of appreciated marketable securities or other property. Furthermore, the amount of the deduction for gifts of real estate and closely held business interests to a non-operating private foundation is limited to the donor's cost basis.

(iii) Any unused charitable deduction results in a carryover deduction usable for the consecutive 5 years after the year of the gift. In other words, to the extent not fully utilized in 6 years, the deduction is lost.

(n) Deathbed Gifts. Washington State has no gift tax and all deathbed gifts avoid Washington State estate tax.

(o) Citizenship. If either spouse is not a U.S. citizen, special attention is required.

EXHIBIT A

FEDERAL ESTATE and GIFT TAX CHART

Year	Estate Tax Exemption	Estate Tax Maximum Rate	Gift Tax Exemption	Gift Tax Maximum Rate
2001	$675,000	55%	$1,000,000	55%
2002 / 2003	$1,000,000	50% / 49%	$1,000,000	50% / 49%
2004 / 2005	$1,500,000	48% / 47%	$1,000,000	48% / 47%
2006	$2,000,000	46%	$1,000,000	46%
2007 & 2008	$2,000,000	45%	$1,000,000	45%
2009	$3,500,000	45%	$1,000,000	45%
2010	Repeal	-0-	$1,000,000	35%
2011	$5,000,000	35%	$5,000,000	35%
2013	$5,250,000	40%	$5,250,000	40%
2018	$11,180,000	40%	$11,180,000	40%
2024	$13,610,000	40%	$13,610,000	40%
2026	$7,000,000	40%	$7,000,000	40%

* Starting in 2010 Exemption has been indexed for inflation and increases each year. Under current law, in 2026, this $13,610,000 federal estate, gift and GST Tax exemption will be reduced to $5,000,000, increased for inflation from 2010 (estimated to be $7,000,000).

WASHINGTON ESTATE TAX TABLE

If a Washington Taxable Estate (after $2,193,000 exemption) is:	The Amount of Tax Equals:			
At Least	But Less Than	Initial Tax Amount	Plus Tax Rate on Excess	Net Effective Tax Rate*
-0-	$1,000,000	-0-	10.00%	10.00%
$1,000,000	$2,000,000	$100,000	14.00%	14.00%
$2,000,000	$3,000,000	$240,000	15.00%	15.00%
$3,000,000	$4,000,000	$390,000	16.00%	16.00%
$4,000,000	$6,000,000	$550,000	18.00%	18.00%
$6,000,000	$7,000,000	$910,000	19.00%	19.00%
$7,000,000	$9,000,000	$1,100,000	19.50%	19.50%
$9,000,000		$1,490,000	20.00%	12.00%

*Because Washington estate tax is a deductible expense on the federal estate tax return, the top combined net effective rate is 52%. Estates between $2,193,000 and $13,610,000 owe no federal estate tax, but pay Washington estate tax at a net effective rate of 10% - 20%.