

FEDERAL AND WASHINGTON STATE ESTATE TAX SUMMARY

Currently in the year 2015 a person and his or her spouse may each give away \$5,430,000 to someone other than the spouse Federal estate tax free at death. Washington State citizens can give away \$2,054,000 to someone other than the spouse Washington State estate tax free. This means that an estate of a Washington State resident who passes away in 2015 might be subject to Washington State estate tax but not Federal estate tax.

In addition, the client and spouse may give an unlimited amount to each other estate tax free using what is called a "marital deduction" as long as they are both U.S. citizens. However, if they simply leave everything to each other outright, the property will all pass to the surviving spouse under the IRS marital deduction and no estate tax will be due. Upon the death of the survivor, however, only the tax-free amount (currently up to \$2.054M Washington State) may be passed on estate tax free. The first spouse to die "lost" their opportunity to give away their tax-free amount (currently \$2.054M Washington State) estate tax free to someone other than their spouse at death.

To ensure that each spouse's estate can use his or her tax free amount, a "Credit Shelter Trust" in the Will (or Revocable Living Trust) can be drafted in order to use the first spouse's tax free amount as well as the survivor's tax free amount in order to maximize the assets that go to the beneficiaries. This Credit Shelter Trust is designed to give the surviving spouse as much access as possible, but not so much access that it qualifies for the marital deduction. The assets in the Credit Shelter Trust are not part of the surviving spouse's estate.

There is also a Federal law in place that allows the surviving spouse to elect "portability" of the deceased spouse's unused Federal estate tax credit and not "lose" it, but there is no guarantee that this will remain Federal law, so it is good to have the Credit Shelter Trust planning in place. Additionally, there is no portability of the unused Washington State estate tax free credit.

Please contact my office if you would like to set up an appointment to discuss the Credit Shelter Trust or other potential estate tax savings strategies with me.

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