



Trusts & Estates Newsletter

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TAX LAW CHANGES MEAN IT'S A GOOD TIME TO GIVE

The biggest estate planning news is the doubling of the Federal exemption for each estate, from about \$5.5 million to \$11 million. What does this mean for all of us?

- **The Washington State estate tax** exemption remains as it was, at about \$2.2 million per estate.
- **Smart gifts are good.** Right now, the Federal exemption is quite large, and the State has no gift tax, so gifts to children are advisable. They should be smartly done, however. Gifts of assets with low income tax bases can backfire, by missing out on the step-up in basis at death. Most importantly, gifts to children during lifetime and at death should be designed to be useful to the children rather than wasteful or possibly even harmful.
- **Some are considering a change of residence,** to avoid the Washington estate tax. But for all who are likely to live for years, the benefit of this is uncertain. Other states have income taxes. And state laws can change.
- **Federal laws change too.** So for now the large Federal estate tax exemption combined with no State gift tax, provides a good opportunity for smart gifts.
- **Regarding those gifts, don't think of the \$15,000** annual exclusion amount as a limit. If you give a larger gift, report the excess amount (the amount greater than \$15,000) to the IRS the next spring. There won't be any taxes due unless your total lifetime gifts exceed the Federal exemption amount (\$11 million). (Pro tip: a married couple could give another married couple \$60,000 in a year without needing to report it to the IRS. How? Each member of the couple could give each of the recipients \$15k, the amount excluded from gift tax.)
- **Remember that the Washington State estate tax exemption** is \$2.2 million per person. If a married couple wants a \$4.4 million exemption, they must have wills or a trust to preserve the exemption of the first estate.

Let us know if you'd like to talk about this, or anything else. Thanks.

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