



# ESTATE TAX 101

*UNDERSTANDING FEDERAL AND WASHINGTON  
ESTATE TAXES*





# AGENDA



FEDERAL VS.  
WASHINGTON ESTATE  
TAX

+



ESTATE PLANNING  
PROCESS



ESTATE PLANNING  
CONSIDERATIONS



DISCUSSION



HAYES, MILLER  
& VIGNONE  
LLP



# ESTATE TAXES – TAXES ON PROPERTY AT DEATH

## FEDERAL

- Applicable threshold: Estates worth more than \$13.61 million (2024).
- Tax rate: Ranges from 18% to 40% depending on the value of the estate.
- Exemptions: Certain assets, such as those left to a surviving spouse or charity.

## WASHINGTON

- Applicable threshold: Estates worth more than \$2.193 million (2024).
- Tax rate: Ranges from 10% to 20% depending on the value of the estate.
- Exemptions: Certain assets, such as those left to a surviving spouse or charity.



# ESTATE TAX EXEMPTION

- Federal: Under \$13.61 M.
- State: Under \$2.193 million.
- Unlimited marital deduction and portability – DSUE.
- Sunsets end of 2025 – reverts to \$5M plus inflation adjustment





# ESTATE PLANNING PROCESS

- **WILLS AND LIVING TRUSTS.**
- **PROBATE AVOIDANCE.**
- **APPLICABILITY** – FEDERAL APPLIES NATIONWIDE. WASHINGTON ESTATE TAX APPLIES TO ESTATES IN WASHINGTON

# PLANNING CONSIDERATIONS



- Proper planning can minimize or eliminate estate taxes.
- Trusts and gifting can reduce taxable value of estate.
- Bypass trust (AKA credit shelter or exemption trust).
- Disclaimer trust.

• +  
○



HAYES  
MILLER  
& YOUNG  
LLP



# GIFTING AND CHARITABLE INCLUSIONS

- GIFTING CAN REDUCE TAXABLE VALUE OF ESTATE.
- UP TO \$18,000 PER RECIPIENT PER YEAR.
- GRADUALLY TRANSFER WEALTH





## INCLUDING CHARITIES

- Bequests to qualified charities are deductible.
- Including charity name will ensure intentions are carried out.



# STEP UP IN BASIS – COMMUNITY PROPERTY STATES

- ASSETS ACQUIRED IN MARRIAGE ARE GENERALLY COMMUNITY PROPERTY
- UPON DEATH, VALUE OF COMMUNITY PROPERTY RECEIVES STEP-UP.
- VALUE IS STEPPED UP TO FAIR MARKET VALUE AT TIME OF DEATH.
- COST BASIS FOR CAPITAL GAINS PURPOSES IS RESET

# ESTATE TAX FORMS

- FEDERAL

- Form 706 – calculate and report estate tax.
- Must be filed within 9 months.

- WASHINGTON

- Form ET-1 – calculate and report estate tax.
- Must be filed within 9 months

Form **706**  
(Rev. October 2006)

**United States Estate (and Generation-Skipping Transfer) Tax Return**

Department of the Treasury Internal Revenue Service

OMB No. 1545-0015

Estate of a citizen or resident of the United States (see separate instructions).  
To be filed for decedents dying after December 31, 2005, and before January 1, 2007.

**Part I — Decedent and Executor**

1a Decedent's first name and middle initial (and maiden name, if any) 1b Decedent's last name 2 Decedent's Social Security No.

3a County, state, and ZIP code, or foreign country, of legal residence (domicile) at time of death 3b Year domicile established 4 Date of birth 5 Date of death

6a Name of executor (see page 4 of the instructions) 6b Executor's address (number and street including apartment or suite no. or rural route; city, town, or post office; state; and ZIP code) and phone no.

6c Executor's social security number (see page 4 of the instructions)

7a Name and location of court where will was probated or estate administered 7b Case number

8 If decedent died testate, check here  and attach a certified copy of the will. 9 If you extended the time to file this Form 706, check here

10 If Schedule R-1 is attached, check here

**Part II — Tax Computation**

1 Total gross estate less exclusion (from Part 5—Recapitulation, page 3, item 12)	1	
2 Tentative total allowable deductions (from Part 5—Recapitulation, page 3, item 22)	2	
3a Tentative taxable estate (before state death tax deduction) (subtract line 2 from line 1)	3a	
b State death tax deduction	3b	
c Taxable estate (subtract line 3b from line 3a)	3c	
4 Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts that are includible in decedent's gross estate (section 2001(b)))	4	
5 Add lines 3c and 4	5	
6 Tentative tax on the amount on line 5 from Table A on page 4 of the instructions	6	
7 Total gift tax paid or payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes by the decedent's spouse for such spouse's share of split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate (see instructions)	7	
8 Gross estate tax (subtract line 7 from line 6)	8	
9 Maximum unified credit (applicable credit amount) against estate tax	9	
10 Adjustment to unified credit (applicable credit amount). (This adjustment may not exceed \$6,000. See page 6 of the instructions.)	10	
11 Allowable unified credit (applicable credit amount) (subtract line 10 from line 9)	11	
12 Subtract line 11 from line 8 (but do not enter less than zero)	12	
13 Credit for foreign death taxes (from Schedule(s) P). (Attach Form(s) 706-CE.)	13	
14 Credit for tax on prior transfers (from Schedule Q)	14	
15 Total credits (add lines 13 and 14)	15	
16 Net estate tax (subtract line 15 from line 12)	16	
17 Generation-skipping transfer (GST) taxes payable (from Schedule R, Part 2, line 10)	17	
18 Total transfer taxes (add lines 16 and 17)	18	
19 Prior payments. Explain in an attached statement	19	
20 Balance due (or overpayment) (subtract line 19 from line 18)	20	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer other than the executor is based on all information of which preparer has any knowledge.

Signature(s) of executor(s) \_\_\_\_\_ Date \_\_\_\_\_

Signature of preparer other than executor \_\_\_\_\_ Address (and ZIP code) \_\_\_\_\_ Date \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see page 28 of the separate instructions for this form. Cat. No. 20548R Form 706 (Rev. 10-2006)



# THANK YOU

- Sally McColloch
- [sally@hmvcpagroup.com](mailto:sally@hmvcpagroup.com)

x



- Lisa Farmer
- [lisa@hmvcpagroup.com](mailto:lisa@hmvcpagroup.com)
- [www.hayesmccolloch.com](http://www.hayesmccolloch.com)
- (253) 627-1755



HAYES MCCOLLOCH  
& ASSOCIATES  
ARCHITECTS