

FEDERAL AND WASHINGTON STATE ESTATE TAX SUMMARY

Currently in the year 2010, a person and his or her spouse may each give away an unlimited amount of assets to someone other than the spouse Federal estate tax free at death. Washington State citizens can only give away \$2,000,000 to someone other than the spouse Washington State estate tax free. This means that an estate of a person who passes away in 2010 might be subject to Washington State estate tax but not Federal estate tax. The amount that can be given away Federal tax-free at death to someone other than a spouse is scheduled to go back down to \$1,000,000 per individual in 2011 unless a new law passes. The Washington State estate tax-free amount is scheduled to remain at \$2,000,000 until the law changes.

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 \$2M 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 \$2M Washington State) estate tax free to someone other than their spouse at death.

To insure 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.

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.

Prepared by: Kristin Lillquist Reeder
Law Office of Kristin Lillquist Reeder, PLLC
Phone: (425) 861-1109
Fax: (425) 882-0313
12501 Bel-Red Rd. Suite 215-B Bellevue, WA 98005
kristin@klrlaw.net