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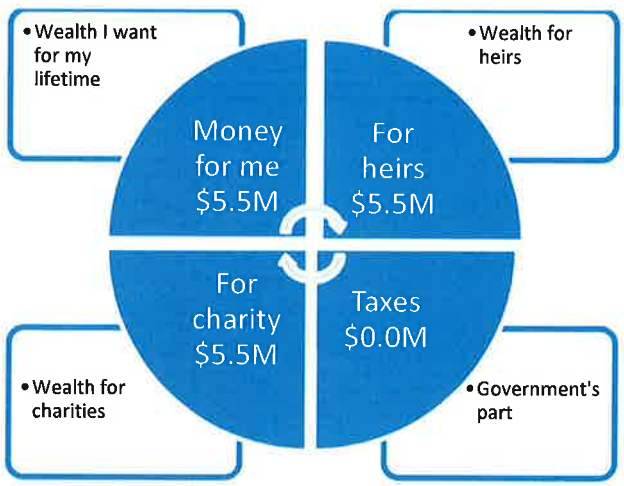
HOT TOPICS ARTICLE 2017-01: **2017 Estate and Gift Tax Planning Update**

In 2012 we warned that the U.S. federal lifetime exclusion from gift and estate tax, $5,120,000 at the time, was scheduled to drop to $1,000,000 in 2013. The top tax rate was scheduled to increase from 35% to 55%.

At 2:00 a.m. on Tuesday, January 1, 2013, Congress passed "The American Taxpayer Relief Act of 2012".
The lifetime exclusion continued at the $5,000,000 level, indexed for inflation.
The top tax rate went to 40%.
The annual gift tax exclusion went from $13,000 to $14,000 per donee.

The Federal lifetime exclusion has since grown to $5,450,000 in 2016 and $5,490,000 in 2017.
The Washington State exclusion has grown to $2,079,000 in 2016 and $2,129,000 in 2017.

As a general guide, your estate/gifting plan may look something like this.



What if you only have $11M, not $16.5M? Basically, you set aside Money for me and for Charity, give away Wealth for Heirs, and make the Taxes part disappear. The Charity part you then give away during your lifetime, or in your will. Gifts during your lifetime also work to eliminate the future growth in value of that wealth from your estate, eliminating the gift or estate tax on that increase. In the State of Washington, gifts also reduce state tax, with tax rates up to 20% if the wealth is left in your Estate.

In Washington State, if the "FTD" (first-to-die) leaves all of his or her estate to the surviving spouse, that action could cause it to become subject to tax in the estate of the second-to-die. Say, $2,000,000 at 20%, costs $400,000 of state tax. That tax could be avoided by alternative directives by the FTD.

Consult before taking action

This article is a general information guide. Any action should be taken only with appropriate professional consultation specific to your situation.