

HW Hot Topics Article 2018-12 Estate and Gift Tax News - 2018

HW Hot Topics articles are brief summaries of a topic, for clients to gain a general understanding. We intend for the information to answer the “quick questions” and to advance the dialog when we provide further analysis and planning.

TCJA – 2017 Tax Cuts and Jobs Acts

The 2017 Tax Cuts and Jobs Act made significant changes to the US Federal Tax system. This brief article will summarize significant changes for Estates and Gifts.

The Federal Estate Tax Exclusion

The federal estate tax exclusion doubled, from the \$5 Million base to \$10 Million. The amounts are indexed for inflation, so the 2018 exclusion is \$11,180,000 per person. That is \$22,360,000 for the combined estates of a married couple.

The provision for “DSUE”, deceased spouse unused exemption, remains in place. That means the surviving spouse is entitled to the unused amount as an increase to his or her total exemption.

The Federal Gift Tax Exclusions

The federal gift tax exclusions were increased as follows:

- a) Annual exclusion of gifts to any one individual, increased from \$14,000 to \$15,000
- b) Lifetime exclusion, increased in the Unified System for Estate and Gift Tax as noted above.

The annual exclusions are applied first, to qualifying “current interest” gifts. Then, the excess over annual exclusions is applied to use some of the lifetime exclusion. The remaining lifetime exclusion is then applied at death, in computing the taxable estate.

The State of Washington

The State of Washington has its own filing and tax threshold, also indexed for inflation. For 2018 the threshold is \$2,193,000, up from \$2,129,000 in 2017.

Tax Rates

Tax rates remain unchanged, with the federal rate topping out at 40% and Washington at 20%.