

Price & Farrington's Estate and Tax Planning FastFacts

March, 2010

Estate, Tax and Family Wealth Planning for Advisors and Clients

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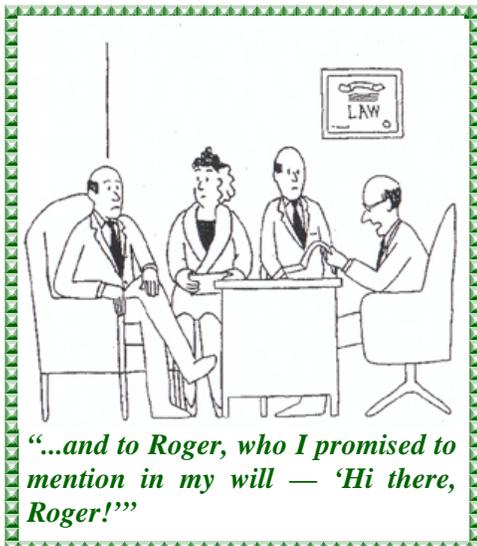
Washington State Estate Tax Update: Look What's in the Hopper in Olympia

We have been trying to keep you current with developments in the murky, ever-changing federal estate tax law. (See our February, 2010 Wealth Advisor client newsletter: "[No Estate Tax in 2010: What Does This Mean to You?](#)". Also see our Wealth Counselor advisor newsletters: Volume 5, Issue 1, "[Planning After 'Repeal' of the Federal Estate Tax](#)" and Volume 5, Issue 2, "[The 2010 Basis Step-Up Rules](#)". All articles are available on our website at www.pricefarrington.com/articles).

Developments in Washington.

On February 13 in Olympia, State Representatives Chase, Williams, Hunt, Dickerson, Flannigan and Moeller proposed House Bill 3184. HB 3184 would double the existing Washington estate tax rates for estates of decedents dying after April 1, 2010.

Washington's estate tax is a graduated tax with current rates beginning at 10% for estates greater than \$2 million in value, reaching a maximum of 19% on estates exceeding \$11 million.



HB 3184 seeks to double all of the current tax rates, to run from a minimum rate of 20% to a maximum rate of 38%.

Example. Decedent Marilyn Moribund leaves her \$2.8 million estate to her children, who will currently owe \$80,000 in Washington state estate tax. (The first \$2 million is "free" but the remaining \$800,000 is subject to a 10% estate tax = \$80,000 of Washington estate tax due. Under the proposed bill, the estate tax would double to \$160,000, as the applicable tax on Marilyn's estate would increase from 10% to 20%.

Marital deduction. Happily, the *unlimited marital deduction* and the *unlimited charitable deduction* will continue to apply if HB 3184 is enacted into law. This means that most transfers to a surviving spouse or to charities would continue to pass free of Washington estate tax. Caveat: when the *surviving spouse* dies, anything the surviving spouse received on the death of the first spouse for which a marital deduction was claimed will be subject to Washington estate tax on the survivor's death if the net taxable value of the survivor's estate exceeds \$2 million on date of death. The marital deduction, then, is a tax *deferral* — not necessarily a tax *avoidance* — technique.

Tracking House Bill 3184.

The bill was referred to the Finance Committee, but as of this writing no hearing has been scheduled for HB 3184. Since this legislative session ends on March 11, things must happen quickly if the bill is to become law.

Planning if HB 3184 becomes law. If the legislature doubles the estate tax rates, careful planning will become more important than ever. Since Washington state has no *gift tax* (although



Charles P. Farrington and Glenn D. Price

there is still a *federal* gift tax with a \$1 million lifetime exclusion amount) lifetime gift-making is likely to become much more common in Washington as a way to reduce the size of an otherwise taxable estate.

We will keep you posted. **GDP**

Upcoming Presentations by Glenn D. Price

Evergreen Freedom Foundation

"Planning for Life" Workshop

9:30 a.m. to 4:00 p.m. (2 speakers).

March 17 Redmond Town Center
Marriott, Redmond

April 29 Tacoma, U.P.S.

May 26 Vancouver, Washington
Red Lion on the Quay

June 23 Tri-Cities, Washington



Sightlife "Leaving a Lion's Legacy"
Workshop, Seattle, 9:30 a.m. to 4:00
p.m. (2 speakers)

April 8



South King County Estate Planning
Council, 5:30 to 7:30 p.m. "The State
of Estate Taxes"

April 29 Kent, Washington

Contact us for further information.

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