2025 State and Federal Estate Tax Changes
&
Impacts on Estate and Gift Planning

Todd Blodgett and Amy Lewis
Eisenhower Carlson PLLC

Agenda

Introduction

WA Estate Tax and 2025 Changes

Federal Estate Tax and 2025 Changes

Implications for Estate Planning

Estate Planning in 2025

Introduction – Washington Estate Tax

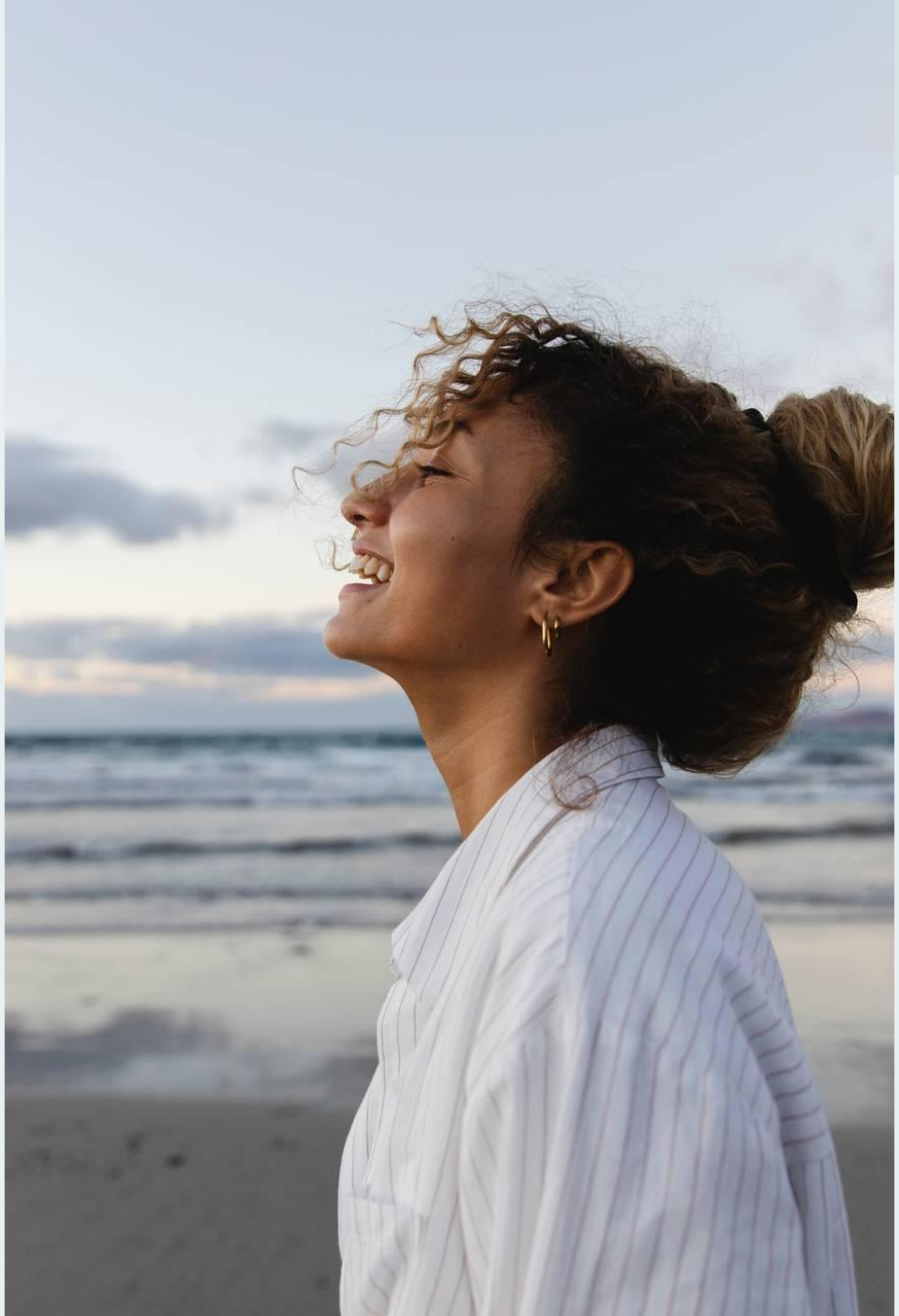
In Washington, the filing threshold and estate tax applies to estates valued at over $3,000,000 (indexed for inflation), with marginal tax rates ranging from 10% to 35%, depending on the estate's value.

For example, if an estate is valued at $5 million:

- Total estate value: $5 million
- Exclusion Amount: $3 million
- Taxable Estate = $2 million
- WA Estate Tax = $250,000

The $3 million exclusion is per spouse, but is not portable to the surviving spouse (bypass trust planning is the norm)

Deduction for charitable bequests



Washington Estate Tax Rates

Table W - Computation of Washington estate tax

Note: The tax is calculated on the Washington taxable estate, which is the amount after all allowable deductions, including the applicable exclusion amount.

For dates of death July 1, 2025 and after

* Taxable amount	Rate	Tax owed
$0 to $1,000,000	10%	$10% of taxable amount
$1,000,000 to $2,000,000	15%	$100,000 plus 15% of the amount over $1,000,000
$2,000,000 to $3,000,000	17%	$250,000 plus 17% of the amount over $2,000,000
$3,000,000 to $4,000,000	19%	$420,000 plus 19% of the amount over $3,000,000
$4,000,000 to $6,000,000	23%	$610,000 plus 23% of the amount over $4,000,000
$6,000,000 to $7,000,000	26%	$1,070,000 plus 26% of the amount over $6,000,000
$7,000,000 to $9,000,000	30%	$1,330,000 plus 30% of the amount over $7,000,000
$9,000,000 and up	35%	$1,930,000 plus 35% of the amount over $9,000,000

2025 – Key Changes to WA Estate Tax

Increased Exclusion Amount: the WA estate tax exclusion rose from **$2.193 million to $3 million** for deaths on or after July 1, 2025. This means fewer WA estates will be subject to estate tax.

Annual Inflation Adjustments: beginning in 2026, the $3 million exclusion will be adjusted for inflation based on CPI, reinstating a mechanism that had been stalled since 2018.

Increased Tax Rates: the tax rates have increased, ranging from **10% to 35%**, with the top rate applying to estates valued over **$12 million**. This is a significant increase from the previous maximum rate of 20% for estates above about $9 million.

No Spousal Portability: WA continues to not allow spousal portability of the exclusion amount. Each decedent can only utilize their own exclusion, meaning married couples must do careful estate planning to maximize their tax benefits.

No State Gift Tax: the legislature did not introduce a state-level gift tax, meaning people can make lifetime transfers without effecting their estate tax situation

Introduction – Federal Estate Tax

The federal estate tax applies to estates valued at over $13.99 million (indexed for inflation), with a 40% tax rate on any amount above the exemption.

For example, for an estate worth $14.43 million:
- Total estate value: $14.43 million
- Exclusion Amount: $13.99 million
- Taxable Estate = $440,000
- Federal Estate Tax = $176,000

The $13.99 million exclusion is per spouse, and is portable to the surviving spouse (although bypass trust planning is still the norm)

Deduction for charitable bequests

2025 – Key Changes to Federal Estate Tax

Increased Exclusion Amount: for 2024, the gift and estate tax unified exemption was set at $13.91 million per individual, or $27.22 million for married couples.

Original 2025 Sunset Rule: the 2017 Tax Cuts and Jobs Act temporarily doubled this exemption to current levels, but was scheduled to sunset after 12/31/25, reverting to about half its level (i.e., $7 million per individual, $14 million for married couples).

Higher Exemptions Made Permanent: instead of shrinking, the exemptions were locked in and expanded, starting in 2026 ($15 million per individual, $30 million per couple).

Inflation Adjustments Starting 2027: beginning in 2027, the exemption amounts will be indexed to inflation.

No Clawback of Gifts: families who used the higher exemption before 2025 are not penalized. The IRS confirmed there will be no “clawback,” meaning lifetime gifts made under the higher exemption remain valid, even though the exemption structure changed

Implications for Estate Planning

Long Term Certainty for Planners: families and advisors can now plan without the looming threat of an expiration date. There is no need to do significant planning before the end of 2025. Estate planning is now a rushed deadline-based process to a thoughtful, long-term strategy, allowing freedom to design multi-year or even multi-decade plans

Protects Generational Wealth: higher state and federal exemptions means that more assets can pass tax-free to heirs

Encourages Charitable Planning: with higher exemptions, families and individuals can align their philanthropy with long-term estate goals.

Inflation Proofing: since the state and federal exemption amounts are both indexed for inflation now, the exemption amounts will keep pace with overall economic changes

Estate Planning in 2025

Use the Annual Gift Exclusion: an individual can gift up to $19,000 per recipient, per year. For married couples, that doubles to $38,000. Over time, these gifts remove significant wealth from an estate without touching the unified exemption.

Maximize the Unified Federal Exemption: families with large estates should consider making lifetime transfers. With the exemption permanently higher, a person can transfer up to $15 million of assets without worrying about losing the benefit later.

Establish Trusts for Wealth Management: trusts such as irrevocable trusts, generation-skipping trusts, and charitable remainder trusts offer tax savings while also providing control and protection for heirs.

Blend Charitable Giving with Planning: charitable donations (whether during life or at death) support causes you care about, while also reducing the taxable estate. Donor-advised funds and charitable trusts are powerful vehicles.

"Bunching" Charitable Donations: consider bunching charitable donations from several years into a single year. Instead of donating $20,000/year, consider donating $100,000 every 5 years.

New Deduction for Non-Itemizers: there is a new $1,000 per person ($2,000 per couple) above-the-line charitable deduction if you cannot itemize, which can benefit young and lower earning taxpayers

Questions and Answers

Thank you

Todd Blodgett and Amy Lewis
Eisenhower Carlson PLLC
253-572-4500
tblodgett@eisenhowerlaw.com
alewis@eisenhowerlaw.com
www.eisenhowerlaw.com