

2025 Estate Planning Changes

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Estate planning is never a “set it and forget it” exercise, as laws continue to evolve at both the federal and state level. 2025 has brought meaningful updates that could impact Washington families, particularly those with larger estates. Thoughtful planning can help reduce estate tax liability and ensure assets pass smoothly to the next generation.

Federal Tax Exemption Update

The 2017 Tax Cuts and Jobs Act (TCJA) temporarily doubled the federal estate and gift tax exemption, from \$5.49 million to over \$11 million per person. The current exemption is \$13.99 million per person in 2025, or nearly \$28 million for a married couple. Originally, this higher exemption was set to expire at the end of 2025, cutting the limit roughly in half. ^[1] However, Congress passed the OBBBA legislation, which instead raised the federal estate tax and lifetime gift exemption to \$15 million per person (\$30 million per couple) starting in 2026, with future inflation adjustments. This means fewer individuals and families will face federal estate taxes, but those above the exemption still need to plan carefully to avoid the maximum estate tax rate of 40%.

Washington State Tax Exemption Update

Even if families are exempt from federal taxes, many may exceed Washington’s state estate tax exemption. Effective July 1, 2025, Washington’s estate tax exemption increased from \$2.193 million to \$3 million per person.

At the same time, estate tax rates are rising—the top rate jumped from 20% to 35%. Individuals with estates above \$3 million and families above \$6 million will need to implement thoughtful planning to account for higher tax rates. ^[2]

To illustrate how these changes will impact Washington residents, consider the following examples:

Example #1 - \$5.5 Million Estate

For an individual with an estate of \$5.5 million, the higher exemption reduces their taxable estate from \$3.307 million to \$2.5 million. Their effective estate tax bracket is similar, 13.28% under the old rules v. 13.40% with the current rules. Since their taxable estate is lower, they will owe slightly less tax under the new rules, \$335,000 v. \$439,120.

Taxable Estate Pre 7/1/2025	
Estate Value	\$ 5,500,000
WA Exemption	\$ 2,193,000
Taxable Estate	\$ 3,307,000
Current Taxable Estate 7/1/2025	
Estate Value	\$ 5,500,000
WA Exemption	\$ 3,000,000
Taxable Estate	\$ 2,500,000

Pre 7/1/2025			
Taxable Amount	Tax Rate	Taxable Estate	Estate Tax Owed
\$0 - 1,000,000	10%	\$ 1,000,000	\$ 100,000
\$1,000,000 - \$2,000,000	14%	\$ 1,000,000	\$ 140,000
\$2,000,000 - \$3,000,000	15%	\$ 1,000,000	\$ 150,000
\$3,000,000 - \$4,000,000	16%	\$ 307,000	\$ 49,120
Total WA Estate Tax Paid		\$ 3,307,000	\$ 439,120

After 7/1/2025			
Taxable Amount	Tax Rate	Taxable Estate	Estate Tax Owed
\$0 - 1,000,000	10%	\$ 1,000,000	\$ 100,000
\$1,000,000 - \$2,000,000	15%	\$ 1,000,000	\$ 150,000
\$2,000,000 - \$3,000,000	17%	\$ 500,000	\$ 85,000
Total WA Estate Tax Paid		\$ 2,500,000	\$ 335,000

**This is shown for illustrative purposes for Washington state estates. Actual tax rates and tax owed are subject to change.*

Example #2 - \$14 Million Estate

Even with the higher estate exemption, with the higher tax rates those with large estates will pay significantly more under the new rules. For an individual with a \$14 million estate, their effective estate tax rate jumps from 17% to 24%, resulting in an additional \$578,60 of tax owed.

Taxable Estate Pre 7/1/2025	
Estate Value	\$ 14,000,000
WA Exemption	\$ 2,193,000
Taxable Estate	\$ 11,807,000
Current Taxable Estate 7/1/2025	
Estate Value	\$ 14,000,000
WA Exemption	\$ 3,000,000
Taxable Estate	\$ 11,000,000

Pre 7/1/2025			
Taxable Amount	Tax Rate	Taxable Estate	Estate Tax Owed
\$0 - 1,000,000	10%	\$ 1,000,000	\$ 100,000
\$1,000,000 - \$2,000,000	14%	\$ 1,000,000	\$ 140,000
\$2,000,000 - \$3,000,000	15%	\$ 1,000,000	\$ 150,000
\$3,000,000 - \$4,000,000	16%	\$ 1,000,000	\$ 160,000
\$4,000,000 - \$6,000,000	18%	\$ 2,000,000	\$ 360,000
\$6,000,000 - \$7,000,000	19%	\$ 1,000,000	\$ 190,000
\$7,000,000 - \$9,000,000	19.50%	\$ 2,000,000	\$ 390,000
\$9,000,000 and up	20.00%	\$ 2,807,000	\$ 561,400
Total		\$ 11,807,000	\$ 2,051,400

After 7/1/2025			
Taxable Amount	Tax Rate	Taxable Estate	Estate Tax Owed
\$0 - 1,000,000	10%	\$ 1,000,000	\$ 100,000
\$1,000,000 - \$2,000,000	15%	\$ 1,000,000	\$ 150,000
\$2,000,000 - \$3,000,000	17%	\$ 1,000,000	\$ 170,000
\$3,000,000 - \$4,000,000	19%	\$ 1,000,000	\$ 190,000
\$4,000,000 - \$6,000,000	23%	\$ 2,000,000	\$ 460,000
\$6,000,000 - \$7,000,000	26%	\$ 1,000,000	\$ 260,000
\$7,000,000 - \$9,000,000	30%	\$ 2,000,000	\$ 600,000
\$9,000,000 and up	35%	\$ 2,000,000	\$ 700,000
Total		\$ 11,000,000	\$ 2,630,000

**This is shown for illustrative purposes for Washington state estates. Actual tax rates and tax owed are subject to change.*

Key Planning Opportunities

There are a variety of techniques to help reduce taxable estates and pay necessary taxes. Often a combination of tools is necessary to fit everyone's needs while satisfying legacy goals. The following can be implemented to plan at both the state and federal level.

- **Marital Trusts**

Married couples can use trusts to take advantage of both spouses' estate exemptions, provide for a surviving spouse, and pass assets efficiently to the next generation. Options include credit shelter trusts and disclaimer trusts. Married couples in Washington State who are above or near the state threshold should ensure their estate plans account for the appropriate trust.

- **Lifetime Gifting**

In 2025, you can give \$19,000 per person annually without filing a gift tax return. Gifts can include cash, securities, physical property, among others. Larger gifts more than the annual limit count toward your lifetime \$15 million exemption and require a gift tax return. Gifting can shift growth out of your estate, though it comes with tradeoffs—beneficiaries inherit your cost basis, which may create future capital gains. Non-taxable gifts, like paying tuition or medical expenses directly, remain a powerful planning tool.

- **Charitable Giving**

Charitable strategies can both reduce your taxable estate and meet philanthropic goals. Options include:

- **Qualified Charitable Distributions (QCDs)** from IRAs after age 70½, up to \$108,000 in 2025. This method is an above-the-line deduction and directly reduces taxable income, especially helpful for those who do not itemize deductions.

- **Donor Advised Funds (DAFs)** are well suited for those who would like to make ongoing gifts to charities, have low cost basis assets to donate, and would like to set up multi-generational giving.

- **Charitable Remainder Trusts (CRTs)** to retain income on assets that will be donated to a

charitable organization at your passing. There are a variety of structures that can be tailored to suit the grantor's needs.

Learn more about the pros and cons of those techniques in a previous blog post [here](#).

Advanced Trust Strategies - These options can reduce your taxable estate while helping to achieve income and liquidity goals.

- **Spousal Lifetime Access Trusts (SLATs):** These trusts allow you to shift assets from your estate while your spouse can take distributions during their lifetime, passing along to beneficiaries at their passing. If structured correctly, the principal can be excluded from both spouse's estates.
- **Grantor Retained Annuity Trusts (GRATs):** These trusts give up control of the assets while receiving an annuity stream for a specified term. Assets and appreciation can be passed on to heirs free of tax, however generation-skipping transfer (GST) tax is a factor.
- **Irrevocable Life Insurance Trusts (ILITs):** This technique removes life insurance proceeds outside your estate while providing liquidity to cover estate taxes.

The Bottom Line

For Washington residents, estates above \$3 million (\$6 million for couples) may be subject to significant state-level estate taxes even if they avoid federal estate tax. A proactive plan that blends trusts, lifetime gifting, charitable strategies, and proper use of exemptions can minimize taxes and maximize the legacy you pass on.

Because the rules are complex and continue to evolve, now is the time to review your estate plan with your financial planner and estate attorney to ensure it aligns with the 2025 changes. Our planning team has tools that allow you to visualize how your estate would be impacted under the new law changes, so reach out to your wealth consultant to learn more. If you are not a current client, take our client compatibility survey to learn more.

[1] <https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>

[2] <https://dor.wa.gov/taxes-rates/other-taxes/estate-tax-tables#Wprior>

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