

*Leaving
Washington?*

Opportune Time?

Thursday, February 26, 2026



Introduction

Federal Estate/Gift Taxes

Washington Estate Tax

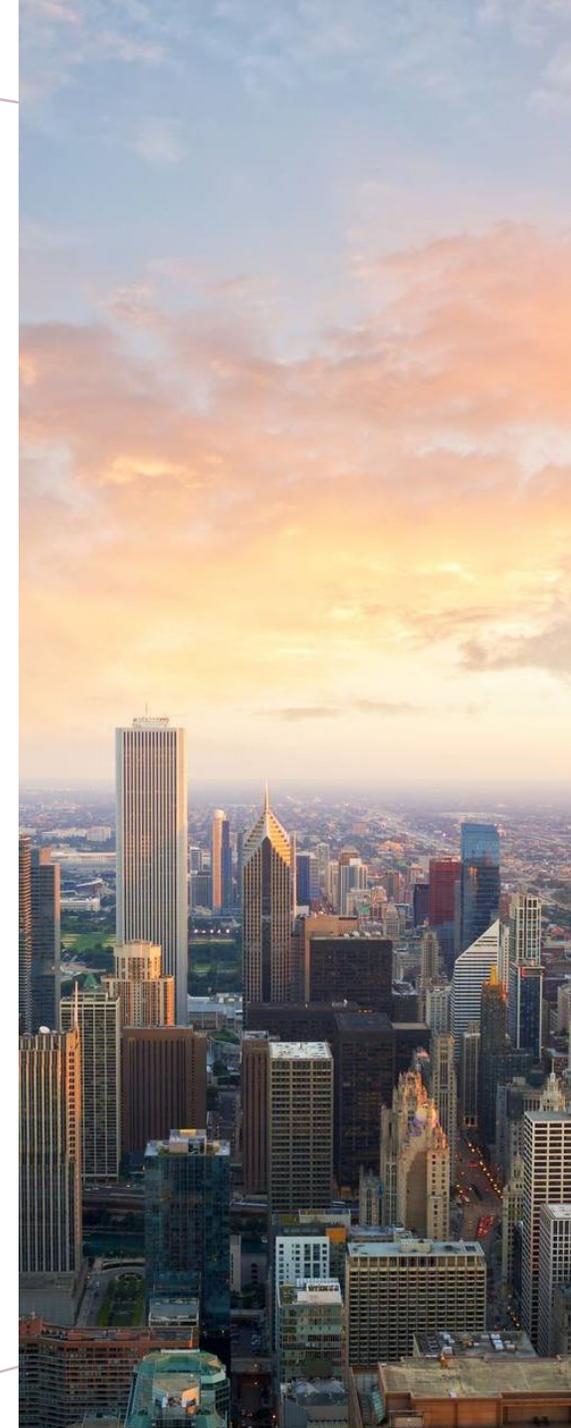
Domicile (Estate Tax)

Washington Capital Gains Tax

Domicile (Capital Gains Tax)

Millionaires' Tax

Relocation outside Washington



FEDERAL ESTATE AND GIFT TAX

Gift Tax

Form 709

Filing threshold (2026) over \$19,000

\$19,000 (annual exclusion)– no filing requirement

Spouses can combine annual exclusion (\$38,000) to same donee

3-year look back from date of death for gifts – included in gross estate / if paid gift tax, only the amount of the tax is added back

Estate Tax

Form 706

Filing threshold (2026): \$15,000,000

Portability: \$30,000,000 (if file Form 706 to claim)

Marital deduction



WASHINGTON ESTATE TAX

Gift Tax

No gift tax

Can make deathbed gifts (no lookback)

Estate Tax

Must attach federal Form 706

Filing threshold: \$3,076,000 (annual inflation adjustments started January 1, 2026)

Exemption is per person - no portability for spouses

Marital deduction

35% top marginal rate applies to taxable estates \$9 million and above



If Washington Taxable Estate Is at Least	But Less Than	The Amount of Tax Equals Initial Tax Amount	Plus Tax Rate %	Of Washington Taxable Estate Value Greater Than
\$0	\$1 million	\$0	10%	\$0
\$ 1 million	\$2 million	\$100,000	15%	\$1 million
\$2 million	\$3 million	\$250,000	17%	\$2 million
\$3 million	\$4 million	\$420,000	19%	\$3 million
\$4 million	\$6 million	\$610,000	23%	\$4 million
\$6 million	\$7 million	\$1.07 million	26%	\$6 million
\$7 million	\$9 million	\$1.33 million	30%	\$7 million
\$9 million	-	\$1.93 million	35%	\$9 million

WASHINGTON ESTATE TAX

Required to file if a decedent's gross value of all property, wherever located, is over the filing threshold (fair market value without any deductions) and either of the following applies:

- decedent was a Washington resident (domiciled in Washington), or
- decedent was a non-resident but owned real estate or tangible personal property located in Washington on their date of death

If pass away on or after January 1, 2025, the personal residence of married couples may be excluded from the calculation when determining if the gross estate of the decedent meets the filing requirements. The personal residence exclusion is only used to determine if a filing is required. The personal residence value is **not** excluded from the gross estate if the remainder of the decedent's assets meets or exceeds the filing threshold.



WASHINGTON ESTATE TAX

The decedent's domicile at time of death is the permanent legal home that the decedent intended to use for an indefinite or unlimited period, and to which, when absent, the decedent intended to return.* As opposed to residency (current place where living).

The question of domicile is mainly a **matter of intention as indicated by the decedent's actions.**

Several factors are considered when determining domicile and include:

- decedent's address reported on the federal income tax return
- where the decedent is registered to vote
- location of property owned by the decedent
- decedent's citizenship
- length of residency of the decedent
- decedent's business or social ties to the community

The amount of time spent in one place is not necessarily determinative of domicile. A temporary home or residence may continue for months or years while a domicile may be established the first moment the property is occupied. The intent is the determining factor in providing where a decedent is domiciled.

*As a rule of thumb, one should (i) try to spend at least 183 days per year in the potential relocation state (or at least outside of Washington) and (ii) complete an affidavit to declare that the relocation state is your intended permanent home.

WASHINGTON ESTATE TAX

The Washington State Department of Revenue presumes that a person is domiciled in Washington if he or she does any of the following:

- maintains a residence in Washington for personal use;
- lives in a motor home or vessel which is not permanently attached to any property if the person previously lived in this state and does not have a permanent residence in any other state;
- is registered to vote in this state;
- receives benefits under one of Washington's public assistance programs;
- has a state professional or business license in this state;
- is attending school in this state and paying tuition as a Washington resident,
- or is a custodial parent with a child attending a public school in this state as a resident;
- uses a Washington address for federal or state taxes;
- has a Washington State driver's license; or
- claims Washington as a residence for obtaining a hunting or fishing license, eligibility to hold public office or for any judicial actions.



EXAMPLE - TREATMENT OF WASHINGTON PROPERTY (non-resident decedent)

A Colorado resident dies leaving a gross estate of \$6 million. The decedent had a vacation home in Washington State valued at \$900,000. The estate had \$100,000 in deductible expenses. The estate has a Washington taxable estate of \$2,824,000 computed as shown below:

Gross estate:	\$6,000,000
Less allowable deductions:	(\$100,000)
Less applicable exclusion amount:	(\$3,076,000)
Washington taxable estate:	\$2,824,000

The pre-apportioned Washington estate tax for this estate is computed as follows:
 $\$250,000 + (\$824,000 \times 17\%) = \$390,080$.

The actual apportioned Washington estate tax is calculated by multiplying the amount of pre-apportioned tax by the apportionment fraction. The apportionment formula is:

$((\text{gross estate} - \text{out of state property}) / \text{gross estate}) \times \text{pre-apportioned Washington estate tax} = \text{apportioned Washington estate tax}$

Therefore, the estate tax owed to Washington is computed as follows:

$((\$6,000,000 - \$5,100,000) / \$6,000,000) \times \$390,080 = \$58,512$

WASHINGTON CAPITAL GAINS TAX

- Washington's capital gains tax only applies to individuals **domiciled** in Washington.
- RCW 82.87.100:
 - intangible property sourced to domicile (WA)
 - tangible property sourced to location (with lookback to prior year)
- Applies to long-term capital gain, i.e., held for more than one year (day trading not subject).
- Does not apply to the sale or exchange of real estate.
- Does not apply to livestock, timber, and commercial fishing privileges.
- Does not apply to transactions through retirement savings accounts.
- Mutual fund distributions (interest or dividends) are not subject to capital gains tax.
- Applies to sales of cryptocurrency if you hold it for more than one year.
- Short-term losses are not included in the calculation of federal net long-term capital gain and cannot be used to offset long-term capital gain subject to Washington's capital gains tax.
- Losses from a sale or exchange that occurred before January 1, 2022, cannot be used to reduce your capital gains tax. Must add back such losses.
- Does not apply to gain from qualified small business stock (IRC 1202) if gain was excluded from federal net long-term capital gain.



WASHINGTON CAPITAL GAINS TAX

- 7% capital gains tax on long-term capital gains
- **Additional 2.9% on gains over \$1 million**
- **Standard Deduction: \$278,000** (regardless of whether single or married)
- **Charitable Donation Deduction: \$278,000**, cap of \$111,000 in total (adjusted)
- **Deduct gain from Qualified Family-Owned Small Business deduction: \$11,095,000**
 - taxpayer held a qualifying interest for at least 5 years immediately preceding the sale or transfer;
 - taxpayer or members of the taxpayer's family, or both, materially participated in operating the business for at least 5 of the 10 years immediately preceding the sale or transfer, unless such sale or transfer was to a qualified heir; and
 - that had worldwide gross revenue of \$11,095,000 or less in the 12-month period immediately preceding the sale
- **Report payments for a sale on the installment method (same as federal tax purposes).**



WAC 458-20-301

The following is a nonexclusive list of factors the Department of Revenue will consider in evaluating an individual's domicile:

- Length of time spent in a location;
- Expressed intent;
- Place of business, profession, or employment;
- Location of bank accounts;
- Residence and address for federal income and state tax purposes;
- Sites of personal and real property owned by the individual;
- State of motor vehicle and other personal property registration;
- State of motor vehicle driver's license;
- Location of schools attended by children;
- State of voter registration;
- Location of professional or business licenses;
- Payment of in-state tuition;
- Location from where financial transactions originate;
- Claiming of residence in a state for purposes of obtaining a hunting or fishing license, eligibility to hold public office, eligibility for obtaining a property tax benefit (such as a homestead exemption), or for judicial actions;
- Mailing address.

WASHINGTON CAPITAL GAINS TAX

Three scenarios where long-term capital gains or losses are allocated to Washington:

- The taxpayer sold or exchanged intangible personal property and the taxpayer was domiciled in Washington at the time of the sale or exchange.
- The taxpayer sold or exchanged tangible personal property and the tangible personal property was located in Washington at the time of the sale or exchange.
- The taxpayer:
 - sold or exchanged tangible personal property that was located in Washington during the year in which the sale or exchange occurred, or the preceding taxable year
 - the taxpayer was a Washington resident at the time the sale or exchange occurred, and
 - the taxpayer is not subject to income or excise tax on the capital gain by another taxing jurisdiction.



MILLIONAIRES' TAX (Senate Bill 6346)

- 9.9% levy on personal income over \$1 million a year combined household earnings (married couples and registered domestic partners)
- Effective January 1, 2028 (collections would start in 2029)
- Expected to generate \$3.4 billion a year from an estimated 21,000 filers
- Governor Bob Ferguson supports the tax, but was not satisfied with the amount of tax relief it offered for lower- and middle-income residents and small businesses

Postscript: “WA Democrats consider retreat on estate tax, fearing wealth exodus”, Seattle Times, Feb. 16, 2026 (see Senate Bill 6347)



Next Steps:

- Evaluate options and jurisdictions, e.g., lifestyle, politics, economy, taxation, weather, family members
- Establish domicile, e.g., purchase home, drivers license, voter registration, physician, etc. (all in)
- Complete a domicile affidavit
- Engage a local estate planning attorney to update your estate plan in light of the law of new jurisdiction (especially to properly address any retained Washington property)
- Federal estate and gift tax law will still apply

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This presentation is a summary discussion and is limited to the described facts. It is not intended to be an opinion of tax consequences, and, thus, may not contain a full description of all the facts or a complete exposition and analysis of all relevant tax authorities. Accordingly, this presentation does not constitute an “opinion” for purposes of Section 6662(d)(2) of the Internal Revenue Code of 1986 and Treas. Reg. 1.6662-4(d), as amended through the date of this presentation.

