



A CLIENT GUIDE FOR

District of Columbia

Your Guide to a Credit Shelter Trust

Use both of your exemptions, not just one

You and your spouse each have an exemption from the District of Columbia estate tax. If the first of you to die leaves everything to the other, that person's exemption is thrown away, and your children pay the tax on it later. A credit shelter trust keeps both exemptions in the family.

The problem, and the solution

THE PROBLEM

DC taxes estates over \$4,988,400 (2026), starting at 11.2 percent and rising to 16 percent

Unlike the federal government, DC does not let a widow or widower inherit the spouse's unused exemption

Leaving everything to your spouse feels simplest, but it doubles up the estate for the second death

Your spouse may remarry, be sued, or need care; your children from a first marriage could be left out

You are afraid of tying your spouse's hands

THE SOLUTION

A credit shelter trust shelters the first spouse's \$4,988,400 from DC tax at both deaths

The trust uses the exemption at the first death, so nothing is lost

The survivor still gets the income and the use of everything, and the trust pays tax on nothing at the second death

The trust holds the money under written rules, for your spouse first and your children after

Your spouse can be the trustee, live in the home, take the income, and take principal for health and support

What our clients pay: a flat fee of \$4,900 for a married couple's complete trust-based estate plan, which includes the credit shelter trust provisions. No hourly bills.



What a credit shelter trust is

A credit shelter trust is a trust that comes to life when the first spouse dies. It holds the amount that spouse can leave tax-free, keeps it working for the surviving spouse, and then passes it to the children without being taxed a second time.

Think of it as a locked box with a window.

At the first death, the exemption amount goes into the box. The surviving spouse can reach through the window for income and for money needed for health, support, education and living expenses, and can even hold the key as trustee. But because the box is not in the survivor's name, it is not counted in the survivor's estate at the second death, no matter how large it has grown.

This is not a new or exotic idea. Married couples have used it for decades. What has changed is that the federal exemption is now so large (\$15,000,000 per person in 2026) that most people never think about estate tax, and they forget that the District of Columbia has its own tax with an exemption of less than \$5,000,000.

Words you will see in this guide

WORD	WHAT IT MEANS
Exemption	The amount a person can leave at death without estate tax. DC: \$4,988,400 in 2026. Federal: \$15,000,000 in 2026.
Family Trust	Our name for the credit shelter trust. Also called a bypass trust.
Marital Trust	The trust that holds everything above the exemption for the surviving spouse. It qualifies for the marital deduction, so it is not taxed at the first death.
Portability	A federal rule that lets a surviving spouse inherit the deceased spouse's unused federal exemption. DC has no such rule.
Trustee	The person who manages the trust. Usually the surviving spouse, with a backup.
Basis step-up	A reset of the income tax cost of an asset to its value at death, so it can be sold without capital gains tax.



Why DC couples use one

The District has its own estate tax. If you live in DC and die with more than \$4,988,400 (the 2026 figure, which rises a little each year with inflation), your estate owes DC estate tax. The tax on the first dollar over the exemption is 11.2 percent, and it rises to 16 percent on the part of an estate over \$10,000,000. A \$7,000,000 taxable estate pays about \$249,000. A \$10,000,000 taxable estate pays about \$681,000. The return and the payment are due 10 months after death.

Leaving everything to your spouse costs nothing at the first death, and everything at the second. Gifts to a spouse are never taxed. So if you leave your whole estate to your husband or wife, there is no tax when you die. The problem shows up later. Your exemption was never used, and now your spouse's estate holds both of your shares with only one exemption to cover them.

DC does not let your spouse inherit your exemption. Federal law fixed this problem in 2011 with a rule called portability: the executor files a federal return and carries your unused federal exemption over to your spouse. DC never adopted that rule. A DC exemption is used at death or lost.

The trust uses the exemption on the day it matters. At the first death, the exemption amount is placed in the Family Trust. It is taxed at that death (at zero, because it is within the exemption) and never again. The survivor's own exemption is still available for the survivor's own estate.

Why not just give money to the children now? Some couples do. But lifetime gifts mean giving up control and income while you are still alive, and the DC exemption is not used at all by lifetime gifts, because DC has no gift tax and no gift-tax credit. The trust lets you keep everything during both of your lives and still use both exemptions.

The figures in this guide are the 2026 figures published by the DC Office of Tax and Revenue and the Internal Revenue Service. They change every year.

How it works, step by step

- 1 We design the plan.** At your planning meeting we go through your assets, your family, and your wishes, and decide together how the Family Trust and Marital Trust should work: who gets income, when principal can be used, who serves as trustee, and where the money goes after both of you are gone.
- 2 You sign a joint revocable trust.** The credit shelter trust is a set of instructions inside your living trust. Nothing happens to your money now. You keep full control of everything, can change the plan any time, and file your taxes exactly as before.
- 3 You retitle your assets to the living trust.** Your home is deeded to the trust (exempt from DC recordation tax). Accounts are retitled or given the trust as beneficiary. We give you a written funding letter for each institution. Retirement accounts stay in your name and name your spouse as beneficiary.
- 4 The first spouse dies.** The trustee gets values for everything as of the date of death and divides the deceased spouse's share by the formula in the trust: an amount equal to the DC exemption goes into the Family Trust, and the rest goes into the Marital Trust or to the survivor outright.
- 5 The returns are filed.** The DC estate tax return is due in 10 months; it will show no tax, because the Family Trust is within the exemption and the Marital Trust qualifies for the marital deduction. The federal return is due in 9 months and carries the unused federal exemption over to the survivor. We prepare a trustee instruction letter that lists every deadline and election.
- 6 The survivor lives on both trusts.** The survivor receives all the income of the Marital Trust and the income and, as needed, principal of the Family Trust, and can serve as trustee of both. Each trust files a short income tax return every year.
- 7 The second spouse dies.** The Marital Trust is counted in the survivor's estate and covered by the survivor's own exemption. The Family Trust is not counted at all. Both pass to your children under the terms you wrote, without a court proceeding.

Who can be trustee

Your spouse. Most of our clients name the surviving spouse as trustee of both trusts. Federal law allows it as long as the spouse's power to take principal for herself is limited to health, education, support and maintenance, and our documents say exactly that. DC never adopted the part of the Uniform Trust Code that supplies that limit automatically, so we write it in.

A co-trustee for the rest. We name an independent co-trustee (an adult child, a trusted friend, an accountant, or a bank) to make two kinds of decisions the spouse should not make alone: distributions beyond the health-and-support standard, and the tax elections at the first death. Your spouse stays in charge of the day-to-day.

What makes a good trustee

- Organized enough to keep the trust's money separate from personal money and file a tax return each year
- Honest, and comfortable saying no to a relative
- Likely to be around, with a named backup
- Willing to call us or an accountant rather than guess

What the trustee does

WHEN	WHAT
At the first death	Gather values, get tax ID numbers, divide the assets by the formula, retitle them, record the deed for the home
Within 9 and 10 months	File the federal and DC estate tax returns and make the elections (we prepare the instruction letter)
Every year	Invest the trust, pay income to the survivor, file the trust's income tax returns, keep simple records
As needed	Pay principal for the survivor's health and support; help a child if the trust allows it
At the second death	Distribute the trusts to the children as written, with no court involvement

The trustee's protection. The trustee can hire an investment adviser and an accountant, and the trust pays for them. DC law lets us suspend the trustee's duty to send reports to the children while the surviving spouse is alive, which most couples prefer. Any trust worth less than \$50,000 can be wound up without going to court.

How the surviving spouse lives after the first death

This is the question every couple asks: will my husband or wife be all right? Here is what changes and what does not.

Your home

The survivor keeps living in the home. Whether the home sits in the Family Trust or the Marital Trust, the trust gives the survivor the right to live there for life, and the trustee pays taxes, insurance and repairs from the trust. If the survivor wants to sell and move, the trust can sell and buy or rent something else.

Your income

The survivor receives all the income of the Marital Trust, at least once a year; that is required by law. The survivor also receives the income of the Family Trust, either automatically or as the trustee decides, depending on how we write it. Social Security, pensions and retirement accounts are the survivor's own and never go into the trusts.

Principal when it is needed

If income is not enough, the trustee can pay principal from the Family Trust for the survivor's health, education, support and maintenance: a nursing home bill, a new roof, a medical expense. The Marital Trust can be written to allow principal for any reason the trustee thinks wise.

Control

If the survivor is the trustee, the survivor decides how the money is invested, when income is paid, and when principal is used for health and support. The survivor can also be given the power to decide, in her own will, how the Family Trust is divided among the children at her death, so the plan stays flexible as the family changes.

What changes

- The Family Trust and Marital Trust have their own tax ID numbers and file their own income tax returns each year (income paid to the survivor is taxed on the survivor's return, at the survivor's rates).
- The survivor cannot give the Family Trust away, put it in a new spouse's name, or leave it to anyone outside the group you both chose.
- Assets in the Family Trust do not get a second basis step-up when the survivor dies. We place assets so this costs as little as possible.

The Carters

Mr. and Mrs. Carter own a home in Chevy Chase DC, investments, and retirement accounts worth \$9,000,000 together. Mr. Carter dies in 2026. His half, \$4,500,000, goes entirely into the Family Trust, because it is under the \$4,988,400 exemption. Mrs. Carter is trustee. She keeps living in the house, draws the income, and uses principal when she needs it. She lives another fifteen years; the Family Trust grows to \$7,000,000 and her own half grows to \$7,000,000 as well. When she dies, only her own \$7,000,000 is taxed by DC (about \$249,000). The \$7,000,000 in the Family Trust is not taxed at all. Without the trust, her estate would have been \$14,000,000 and the DC tax would have been about \$1,320,000.

The trust saved her children more than \$1,000,000.

THE NUMBERS

Two couples, side by side

The savings depend on how much you own and how long the survivor lives. These examples use the 2026 DC exemption of \$4,988,400, assume no growth, and assume everything passes to the survivor first.

	EVERYTHING TO THE SURVIVOR	WITH A CREDIT SHELTER TRUST	DC TAX SAVED
Couple with \$8,000,000 (\$4,000,000 each)	Survivor's estate \$8,000,000. DC tax \$385,299.	Family Trust \$4,000,000 (no tax). Survivor's estate \$4,000,000. DC tax \$0.	\$385,299
Couple with \$12,000,000 (\$6,000,000 each)	Survivor's estate \$12,000,000. DC tax \$1,001,299.	Family Trust \$4,988,400 (no tax). Marital Trust \$1,011,600. Survivor's estate \$7,011,600. DC tax \$250,877.	\$750,422

Growth widens the gap, because everything the Family Trust earns after the first death is also outside the survivor's estate.

What this means: for a DC couple with more than about \$5,000,000 between them, the trust usually saves the children hundreds of thousands of dollars. For a couple with less than that, the trust still protects the survivor and the children, but the tax saving is smaller and we will tell you so.



Three ways to plan

PLAN	HOW IT WORKS	WHO IT FITS
Credit shelter trust plus Marital Trust	The exemption amount goes into the Family Trust at the first death; the rest goes into the Marital Trust; the executor also elects federal portability	Couples with more than about \$5,000,000; second marriages; anyone who wants growth sheltered and assets protected
Everything to the survivor with portability	No Family Trust. The executor files a federal return to carry the unused federal exemption to the survivor. The DC exemption is lost.	Couples under about \$5,000,000 who value simplicity
Decide later (Clayton trust)	Everything goes to a marital trust. After the death, an independent trustee decides how much to shelter in the Family Trust based on the numbers at that time.	Couples near the DC threshold, or whose wealth may change

Most of our DC clients choose the first plan with the “decide later” option built in, so the family gets the tax saving and keeps the flexibility.



What goes in the Family Trust and what stays out

At the first death the trustee chooses which assets fill the Family Trust and which go to the Marital Trust or the survivor. The choice matters for income tax, because Family Trust assets do not get a second basis step-up at the survivor's death.

ASSET	BEST HOME	WHY
Cash, CDs, bonds, money-market funds	Family Trust	Little or no built-in gain, so losing the second step-up costs nothing
Investments you expect to sell anyway	Family Trust	The gain will be taxed whenever sold; sheltering the growth from estate tax is the bigger win
The family home	Marital Trust or the survivor	Usually held for life; gets a second step-up at the survivor's death
Long-held stock, a business, rental property with large gains	Marital Trust or the survivor	A second step-up wipes out decades of capital gains for the children
IRAs, 401(k)s, other retirement accounts	The survivor directly (trust as backup beneficiary)	Naming a trust speeds up income tax and forfeits the spousal rollover
Life insurance	Depends on the policy	Often best owned by a separate insurance trust; we will tell you

Every family's mix is different. Our trustee instruction letter tells the trustee how to place your assets at the first death, and the trustee can swap assets between the trusts later within limits.



Frequently asked questions

Does anything change while we are both alive?

No. The credit shelter trust is a set of instructions inside your revocable living trust. You keep control of everything, can change the plan any time, and file your taxes as you always have.

Can my spouse be the trustee?

Yes. Your spouse can be trustee of both trusts, with an independent co-trustee for a few decisions the spouse should not make alone.

Will my spouse have enough to live on?

Yes. The survivor receives all the income of the Marital Trust and the income and, as needed, the principal of the Family Trust, and keeps every retirement account, pension and Social Security payment outright.

What if my spouse remarries?

The Family Trust stays for your spouse and then your children. A new spouse has no claim to it. The Marital Trust also passes as you directed.

What if we get divorced?

The plan is written for both of you and is changed or unwound in the divorce like any other joint plan. Nothing is locked while you are both alive.

Is the trust counted if my spouse needs a nursing home?

The Family Trust is a trust created by you, not by your spouse, so it is treated differently from your spouse's own assets. This is a Medicaid question, not an estate tax question, and we plan for it separately if it matters to you.

What if the DC exemption goes up, or the law changes?

The trust uses a formula, not a dollar figure, so it adjusts automatically. The "decide later" feature lets the independent trustee shelter more or less at the first death depending on the law then in force.

Do we need this if our estate is under \$5,000,000?

Usually not for tax. You may still want it to protect the survivor, to protect children of a first marriage, or because your estate may grow. We will tell you plainly.

Frequently asked questions

What about the federal estate tax?

The federal exemption is \$15,000,000 per person in 2026, so most DC couples owe no federal tax. We still file the federal return at the first death, because it carries the unused federal exemption over to the survivor and it costs only the return.

Does the trust avoid probate?

Yes. Everything in your living trust, including the Family Trust and Marital Trust, passes without a court proceeding in DC.

Will my children have to wait for their inheritance?

The children receive the Family Trust and Marital Trust after the second death. If you want a child to receive something at the first death, the Family Trust can allow distributions to children during the survivor's life.

What does the survivor give up?

Two things: the Family Trust cannot be given away or left to someone outside the group you chose, and its assets do not get a second basis step-up at the survivor's death. Both are the price of keeping it out of the survivor's taxable estate.

We own a beach house in Delaware. Does DC tax it?

DC reduces its tax in proportion to real estate located outside DC, but the property still counts toward the bracket, and Delaware or the other state may have its own rules. Tell us about every property.

One of us is not a U.S. citizen. Does that matter?

Yes. Gifts to a non-citizen spouse do not get the marital deduction unless a special trust is used. We build that into the plan.

How long does it take?

Most couples sign within four to six weeks of the planning meeting.

How much does it cost?

The complete trust-based plan for a married couple is a flat \$4,900. That includes the living trust with the Family Trust and Marital Trust provisions, wills, powers of attorney, health care directives, the deed for your home, and written funding instructions. You pay only the DC recording fee for the deed. The estate tax returns at the first death are a separate engagement.

Things this trust does not do

We would rather you hear these from us now than be surprised later.

- It does not reduce tax while you are both alive. It works at the first death.
- It does not shelter the survivor's own half. The survivor's own assets are covered by the survivor's own exemption and taxed above that.
- It does not give the Family Trust assets a second basis step-up at the survivor's death. We manage this by choosing which assets go in.
- It does not remove the income tax returns. Each trust files a short return every year after the first death.
- It does not protect against a nursing-home spend-down for the spouse who created it. That is Medicaid planning, which is a separate conversation.
- It does not replace a federal portability election. We still file the federal return at the first death.
- It does not work if your assets are not titled to the living trust or do not name it as beneficiary. Funding is the client's job with our written instructions, and we check it at every review.

Why families choose Trusted Plan Lawyers

A real lawyer, licensed in DC, start to finish.

Brad Williams personally designs and reviews every plan.

One flat fee.

The married couple's trust-based plan is \$4,900. That includes the living trust with Family Trust and Marital Trust provisions, wills, powers of attorney, health care directives, the deed for your home, and written funding instructions. No hourly bills.

Plain English.

You will understand every page before you sign. If you cannot explain it to your children, we have not finished our job.

Fast without rushing.

Most plans are signed within four to six weeks of the planning meeting.

A partner for life.

When the law or your family changes, we are still here.

Your next steps

- 1 **Gather your information.** Deeds, the most recent statement for each account, life insurance policies, retirement account beneficiary forms, and any prenuptial agreement. We will send you a one-page checklist.
- 2 **Think about your trustee.** Your spouse, and then who? Who is organized, honest, and likely to be around?
- 3 **Think about your family.** Should the children receive anything while the survivor is alive? Should the survivor be able to adjust the children's shares?
- 4 **Come to your planning meeting.** We will walk through everything in this guide with your own numbers and tell you plainly whether this trust is the right fit.

Ready to use both of your exemptions?

Call (844) 544-PLAN or visit [trustedplan.com](https://www.trustedplan.com) to schedule a planning meeting.



Trusted Plan Lawyers, LLC
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This guide is general information for our clients. It is not legal advice for your specific situation until we have met and reviewed your facts. Dollar figures are those published by the District of Columbia Office of Tax and Revenue and the Internal Revenue Service for 2026, and they change every year.

