



## Top Financial Considerations for Your Life in Idaho

Idaho combines a quality lifestyle, reasonable cost of living, and a favorable tax environment. It is no surprise that Idaho has become one of the most popular states to call home. Whether you recently moved to Idaho, or have lived here for many years, you should review these aspects of your financial life with your professional advisors, particularly those in the areas of law and taxation. As investment professionals we have built strong relationships with many other advisors over the years so if you do not have a local accountant or attorney we can provide some suggestions for consideration.

**Domicile – your state of residence.** Each state has rules to determine when you become a resident of the state. In general, the rules focus on where your physical residence is located and how much time you spend in the state. If you spend time in different states, or have property outside Idaho, be sure to consult your accountant about the proper filing of state taxes based on your established residency.

**Estate or Inheritance taxes.** Estate or inheritance taxes refer to the tax you or your heirs pay at the time of your death. The tax is generally a percentage of the assets you owned at the time of your death. You may be most familiar with the Federal estate tax – a tax by the Federal government no matter what state you live in. Under current law (as of July 2021) the Federal estate tax affects only those with assets over \$11.58 million (\$23.16 million for a married couple). In addition to the Federal estate tax, twelve (12) states and the District of Columbia impose an estate tax, and six (6) states have an inheritance tax.

Additionally, as of July 2021, Idaho does not have an estate or inheritance tax. Even though Idaho does not have an estate tax, you should still review your estate plan to determine whether your Will or Trust needs to be updated. If you previously lived in a different state you may have provisions in your Will or Trust relating to estate tax that are no longer needed. Or, if you have real property in a state other than Idaho, you may still need to review the impact of estate tax in those states.

To minimize the impact of estate tax, early planning and coordination with all of your trusted advisors is essential.

**Estate planning documents.** Although state laws are similar, there can be significant differences among states for the laws governing documents like Wills, Trusts, Powers of Attorney and Medical Directives. You should make sure your documents are in full compliance with Idaho law. The following paragraphs highlight some examples of how states differ and what you should review with your attorney.

- **Wills and Trusts.** The specific laws governing how Wills and Trusts operate in Idaho may differ from other states. If have relocated to Idaho from another state it is best to have an attorney review your Will or Trust to avoid any conflicts.
- **Trustee or Executor.** If the Trustee or executor named in your documents is a resident of a different state, you should review whether he or she is still the best person to administer your estate plan. The distance may make it challenging to serve in that role.

- **Funding your Trust.** If you have a Trust, it is important that you follow the guidance of your attorney in properly titling assets in the name of the Trust. If you own a home in Idaho, have bank accounts, investment accounts, or registered a vehicle, it is highly likely that all these assets need to be titled in the name of your Trust so that it works as intended and avoids the probate process.
- **Marital property.** Idaho is a community property state. If you are married, you should review the impact of Idaho's community property laws on your estate plan. If you have moved from a state without community property laws, there may be differences in how it affects your finances and your estate plans.
- **Medical directives.** A medical directive is a legal document that designates a person to make health care decisions on your behalf if you are disabled (oftentimes called a medical power of attorney), and may also provide instructions on life sustaining treatment (oftentimes called a living will). Each state has its own form for the medical directive so you may want to consider using Idaho's directive. In Idaho, you will use a document titled "Living Will and Durable Power of Attorney for Health Care" This should help avoid potential issues and delays.
- **Avoiding probate in multiple states.** If you own real estate outside of Idaho, discussing a revocable living trust with your attorney as part of your estate plan is highly recommended. If written and funded properly, a revocable living trust may avoid probate in your state of residence and ancillary probate in any other state where you own property. The term ancillary probate is used to describe probate in a state other than the state of your last residence. Ancillary probate means two attorneys (one licensed in each state), two courts and two executors or administrators (one in each state), two sets of fees and, maybe, two different sets of heirs, if state intestacy laws apply. (Intestacy refers to the condition of an estate if someone dies without a Will or if the Will covers only part of the estate). Assets that commonly cause ancillary probate are time shares, vacation homes, condominiums and any personal property such as home furnishings and cars owned in another state. If you wish to avoid probate and ancillary probate, talk to your attorney about the potential of a revocable living trust and titling of assets.

## The Idaho Lifestyle, with Benefits

For many of us, the selection of Idaho as our state of residence was likely not based on tax and legal issues but on quality of life. D.A. Davidson is here to help families invest for their financial futures in the most efficient and effective ways possible. Partnership with your existing tax and legal professionals can help us identify the most appropriate course of action for you and your family to achieve your financial goals. For more information contact our team at 208-667-1212.

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