

Income/Franchise:

Washington DOR Summarizes and Explains New Excise Tax on Capital Gains for Some Individuals

Capital Gains Tax, Wash. Dept. of Rev. (5/21). The Washington Department of Revenue (Department) has released some initial guidance on recently enacted legislation [see E.S.S.B. 5096 and previously issued Multistate Tax Alert for more details on this new law], which imposes a new excise tax on long-term capital gains earned by some individuals from the sale or exchange of certain capital assets at the rate of 7% beginning January 1, 2022. According to the Department, this 7% tax is imposed on the sale or exchange of long-term capital assets (*i.e.*, stocks, bonds, business interests, or other investments, and many tangible assets) if the profits exceed \$250,000 annually and only applies to gains allocated to Washington. While the tax only applies to individuals, the Department notes that individuals may be liable for the tax as a result of their ownership interest in an entity that sells or exchanges long-term capital assets. The Department lists various exemptions, deductions, and credits under the new excise tax and announces that the first payments on it are due on or before April 17, 2023.

URL: <https://dor.wa.gov/taxes-rates/other-taxes/capital-gains-tax>

URL: <https://app.leg.wa.gov/bills/summary?BillNumber=5096&Year=2021&Initiative=false>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-washington-pending-bill-would-impose-new-excise-tax-on-capital-gains.pdf>

For excise tax reporting purposes, the Department explains that only individuals owing Washington capital gains tax are required to file a state capital gains tax return, along with a copy of their federal tax return for the same taxable year. The Washington capital gains tax return generally is due at the same time as the taxpayer's federal income tax return is due. Additionally, "taxpayers who receive a filing extension for their federal income tax return are entitled to the same filing extension for their capital gains tax return," but the Department cautions that a filing extension "does not extend the due date for paying the capital gains tax due." Please contact us with any questions.

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