

Income/Franchise:

Washington DOR Continues to Implement New Tax on Capital Gains After State High Court Decision

Capital Gains Tax, Wash. Dept. of Rev. (3/23); *News: Capital Gains excise tax ruled constitutional*, Wash. Dept. of Rev. (3/24/23). Referencing the Washington Supreme Court's (Court) recent decision in a case initiated by a group of taxpayers challenging the validity of state legislation enacted in 2021 that imposes a new Washington 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 [see E.S.S.B. 5096 and previously issued Multistate Tax Alert (May 13, 2021) for more details on this state tax, as well as recently issued Multistate Tax Alert (March 27, 2023) for more details on the Washington Supreme Court's recent decision], the Washington Department of Revenue (Department) announced that because the Court ruled "the excise tax on capital gains is constitutional and valid," it will continue to implement and collect the new tax. As before, the Department explains how to file and pay the new tax, as well as underlying penalties for noncompliance, with the first payments due on or before April 18, 2023. Please contact us with any questions.

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

URL: <https://dor.wa.gov/about/news-releases/2023/capital-gains-excise-tax-ruled-constitutional>

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

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/washington-law-imposes-new-excise-tax-on-capital-gains.pdf>

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