

**Changes Affecting Real Estate Excise Tax (REET)**

Purpose	Second Engrossed Substitute Senate Bill (2ESSB) 6143 Sections §§ 207-213 (Part II) Chapter 23, Laws of 2010, 1st Special Session closes loopholes and clarifies ambiguities concerning REET. This bill is effective May 1, 2010.
Controlling interest transfers	<p>The transfer of a controlling interest in an entity that has an interest in real property in Washington is considered a taxable sale of the entity's real property for REET purposes. This bill clarifies the tax treatment for transactions that create a controlling interest transfer by granting an option to acquire an interest in an organization to avoid transferring 50% or more interest within a 12-month period.</p> <ul style="list-style-type: none">• Organizations that own real property in Washington must disclose in their annual report to the Secretary of State any options granted that would result in a transfer of a controlling interest if exercised.• To determine whether a controlling interest was transferred or acquired within a 12-month period, the Department will use the date an option agreement is executed. For any other purpose, the date on which the option is exercised is the date of the transfer or acquisition.• The Department may collect REET on the transfer or acquisition of a controlling interest in a corporation from either the corporation, or the buyer, or if the corporation is not publicly traded, from the seller. In the case of a controlling interest in any other type of entity, the Department may collect REET from either the entity or the seller of the interest.• A lien for the unpaid REET, and any interest or penalties, attaches to each parcel of property in this state owned by an entity in which a controlling interest has been transferred.
Safe harbor eliminated	Providing written notice of a sale to the Department within 30-days no longer relieves a buyer from liability for REET.
Dissolution of an entity before REET is paid	The Department may hold a parent corporation liable for any unpaid REET in the case where a wholly-owned subsidiary transfers real property to a third party and dissolves before paying REET.
For more Information	Visit our website at dor.wa.gov/newlegislation , email dorcommunications@dor.wa.gov , or contact us at 360-705-6705.

