



Department of
Revenue
Washington State

*"Working together to
fund Washington's future"*

Implementing Capital Gains

Business Advisory Council

December 13, 2021

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Taxpayer Account Administration

Capital Gains Tax - Introduction

- ESSB 5096 passed in 2021 legislative session.
- New excise tax on the sale or exchange of certain capital assets.
- Codified in RCW Chapter 82.87.
- Effective January 1, 2022.
- First capital gains tax return due April 15, 2023.
- Return filing extensions can be granted.
- Payment due each year on April 15th.



Imposition of the Tax

- Assessed on individuals and beneficial owners of entities.
- 7% tax rate.
- Applies to the sale or exchange of long-term capital assets.
 - Tangible personal property.
 - Intangible assets.
- Revenues fund the Education Legacy Trust Account and the Common School Construction Account.

9.18	38.33	▲	1.96%	7 694	18.38	18.38	18.38
9.89	19.96	▲	1.45%	7 806	20.31	20.31	20.31
128.46	128.22	▼	-0.11%	292 245	128.46	128.46	128.46
105.25	104.47	▼	-0.22%	312 136	104.47	104.47	104.47
25.48	25.1	▲	3.23%	47 091	25.91	25.91	25.91
330.9	328.5	▼	-1.62%	18 415	330.9	330.9	330.9
114.82	114.86	▼	-0.03%	27 167	114.86	114.86	114.86
50.25	50.13	▼	-2.37%	31 072	50.13	50.13	50.13
128.56	130.84	▼	-3.21%	5 570	128.56	128.56	128.56
	257.6	▼	-0.2%	72 673	257.6	257.6	257.6
		▲	0.22%	20 049			
		▲	3.33%	21 590			
				275 726			

Deductions

- Standard deduction.
 - Individuals - \$250,000.
 - Marital or domestic partners - \$250,000.
- Gains recognized from the sale or transfer of a qualified family-owned small business.
- Charitable donations.
 - Amount of donations exceeding \$250,000.
 - Deduction maximum is \$100,000.
 - Qualifying organization managed or directed in WA.



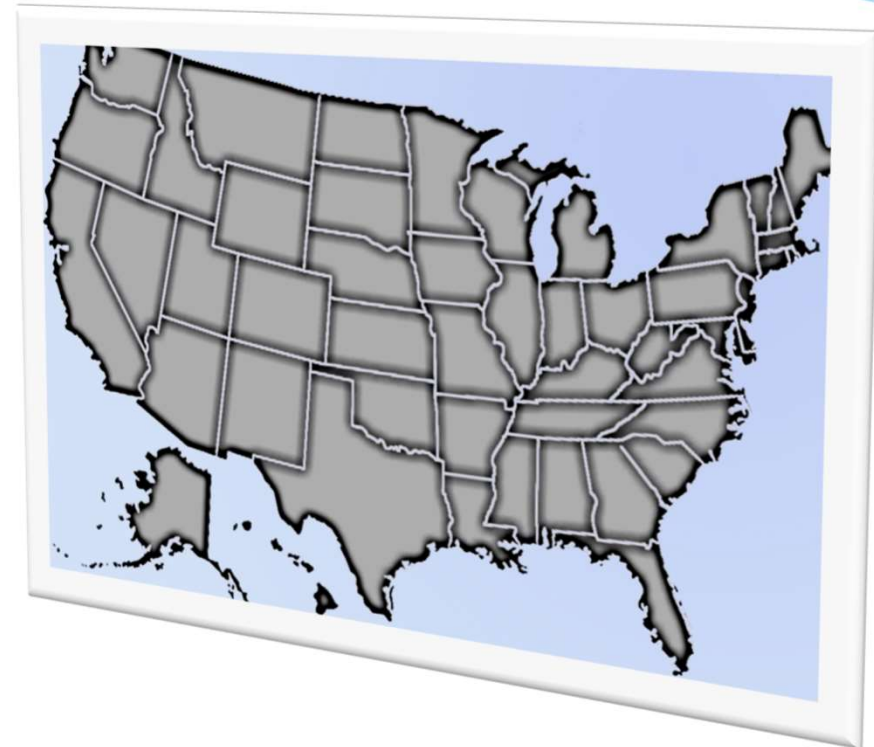
Exemptions

- Real estate.
- Retirement savings accounts.
- Assets subject to imminent threat of condemnation.
- Cattle, horse, breeding stock, when in a year that more than 50% of gross income is from farming or ranching.
- Depreciable property under Code Section 179.
- Timber, timberland, and certain related dividends and distributions.
- Commercial fishing privileges .
- Goodwill from the sale of an auto dealership.



Credits

- Capital gains tax imposed by and paid to another taxing jurisdiction.
- B&O tax credit.



V CREDITS							
Line No.	Credit Classification	Credit I.D.	Amount	Line No.	Credit Classification	Credit I.D.	Amount
52	Multiple Activities Tax Credit (attach Schedule C)	800		58	Hazardous Substance by Value	992	
53	International Services Credit	855		59	Public Utility Tax Credit for Billing Discounts/Qualified Contributions to a Low Income Home Energy Assistance Fund	880	
54	Small Business B&O Tax Credit (go to dor.wa.gov)	815		60	Tobacco Products Tax Credit	930	
55	Renewable Energy System Cost Recovery Credit	925		61	B&O Credit for Syrup Tax Paid	945	
56	Bad Debt Tax Credit (attach Schedule B)	801		62	Other Credits (attach appropriate documents)	810	
57	Hazardous Substance by Volume	991		TOTAL CREDIT (transfer to page 1, line 25)			

Filing and Payment of Tax Returns

- Not required unless tax is owed.
- Electronically filed.
 - With a copy of the federal tax return.
- Follows federal tax due dates.
- Penalty for late return filing – 5% per month, up to 25%.
- Payment is always due in April, no extension.
- Penalty for late payment – up to 29%.



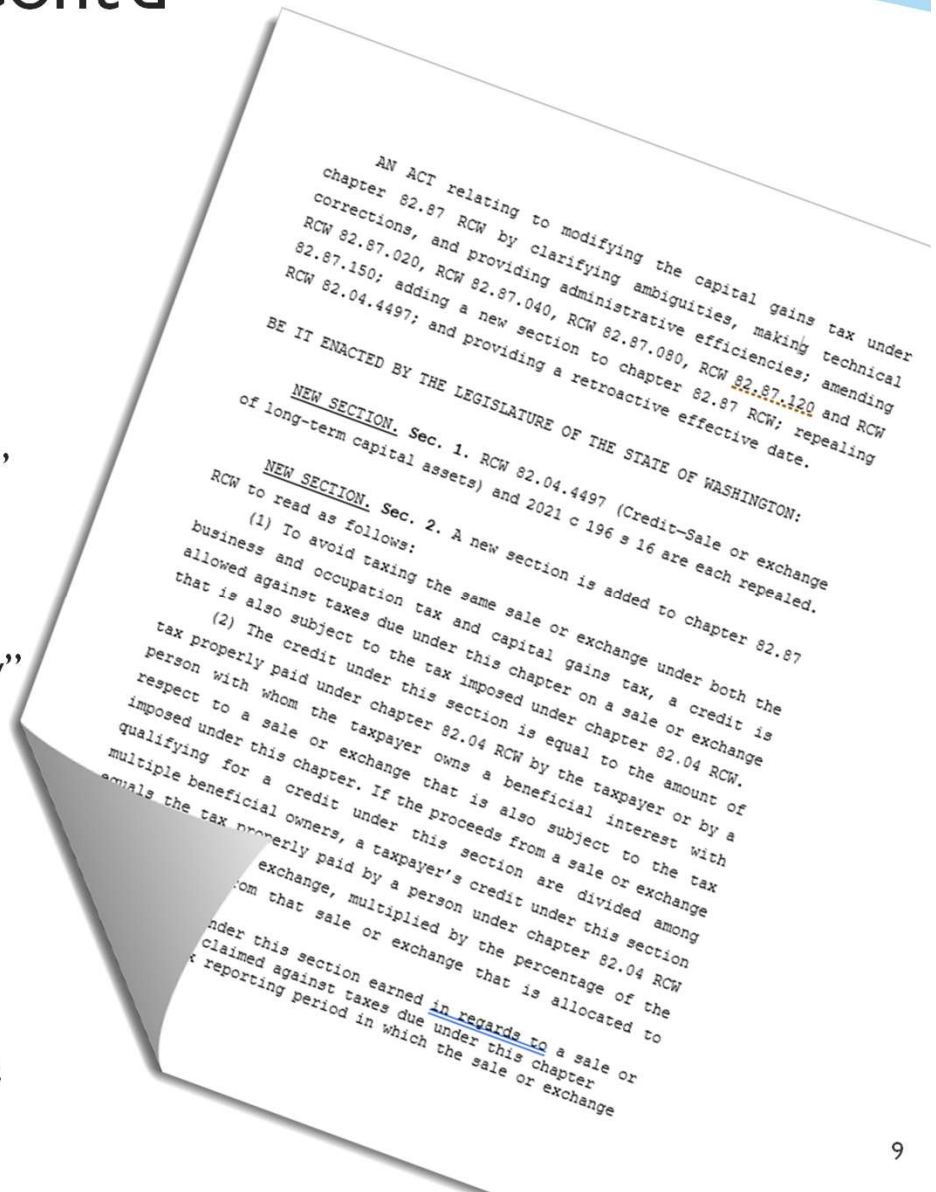
What We've Been Doing?

- Connected with two other states who have a similar tax.
- Held two stakeholder meetings.
- Responding to ruling requests.
 - ✓ Received 65 ruling requests.
 - ✓ Completed 36 ruling requests.
- Areas of Interest.
 - ✓ Real Estate.
 - ✓ Retirement Accounts.
 - ✓ Installment Sales.
 - ✓ Determining sourcing of capital gains transactions.



What We've Been Doing Cont'd

- Identifying possible legislative changes.
 - Proposed Changes.
 - ✓ Repeals the B&O tax credit and creates a capital gains tax credit for B&O taxes paid.
 - ✓ Clarifies definitions of “adjusted capital gain” and “real estate”.
 - ✓ Adds definition for “tangible personal property” and “intangible personal property”
 - ✓ Clarifies use of loss carryover.
 - ✓ Clarifications related to the minimum charitable donation requirement.
 - ✓ Technical corrections, deletion of an unnecessary statutory reference, and makes changes effective January 1, 2022.



What We've Been Doing Cont'd

- Recruitment of staff.
- Website Content.
- Started frequently asked questions (FAQ) page.
- Designing and developing changes to tax system and MyDOR.



Online Services Draft

Business Licensing and Tax

Manage My Profile

All Action Items ¹ More Options

What are you looking for?



Capital Gains

- > Create a Capital Gains Account
- > File Capital Gains Return
- > Pay without filing
- > Request a filing extension

Visual of the Capital Gains Return

Capital Gains Tax Calculation	
Federal Net Long Term Capital Gain (as reported on line 15 on Schedule D)	0.00
Total of Items Not Allocated to WA	0.00
Loss Carry Forward Not Allocated to WA	0.00
Long Term Capital Gains Allocated to WA (calculated from federal return)	0.00
Total of Items Exempt from WA Capital Gains Tax	0.00
Adjusted Capital Gain	0.00
Standard Deduction	250,000.00
Total Capital Gains After Standard Deduction	0.00

Total WA Charitable Donation	0.00
Max Charitable Deduction	100,000.00
Total Charitable Deduction	0.00
Taxable Amount	0.00
Tax Rate	0.07
Tax Due	0.00
Total Credit of Capital Gains Paid to Other States	0.00
Amount Due	0.00

Moving Forward

- System development.
- System testing.
- Usability.
- Rule making.
- Finalize staffing resources and staff training.
- Taxpayer education/communications.

More information Links

- [Capital Gains Webpage](#)
- [Frequently Asked Questions](#)
- [Revised Code of Washington Chapter 82.87](#)
- [Ruling Requests](#)
- [GovDelivery Notifications for Capital Gains](#)

Questions?

