

Capital gains tax

We will update this page as we implement this new tax. [Subscribe to receive email or SMS/text notifications about the Capital Gains tax](#) [1].

The 2021 Washington State Legislature recently passed [ESSB 5096](#) [2] ([RCW 82.87](#) [3]) which creates a 7% tax on the sale or exchange of long-term capital assets (stocks, bonds, business interests, or other investments, and many tangible assets) if the profits exceed \$250,000 annually. This tax applies to individuals only, though individuals can be liable for the tax as a result of their ownership interest in an entity that sells or exchanges long-term capital assets. It is only applicable to gains allocated to Washington state. The tax takes effect on Jan. 1, 2022, and the first payments are due on or before April 18, 2023.

The revenue collected from this tax will fund the education legacy trust account and common school construction account.

Exemptions

The sale or exchange of the following assets are exempt from the Washington capital gains tax:

- Real estate.
- Interests in a privately-held entity to the extent that the capital gain or loss from such sale or exchange is directly attributable to the real estate owned directly by such entity.
- Assets held in certain retirement accounts.
- Assets subject to condemnation, or sold or exchanged under imminent threat of condemnation.
- Certain livestock related to farming or ranching.
- Assets used in a trade or business to the extent those assets are depreciable under Title 26 U.S.C. Sec. 167(a)(1) of the internal revenue code or qualify for expensing under Title 26 U.S.C. Sec. 179 of the internal revenue code.
- Timber, timberlands, and dividends and distributions from real estate investment trusts derived from gains from the sale or exchange of timber or timberlands.
- Commercial fishing privileges.
- Goodwill received from the sale of a franchised auto dealership.

Deductions

The following deductions apply:

- A standard deduction of \$250,000 per year per individual, married couple, or domestic partnership. This amount is adjusted for inflation annually.
- The long-term capital gain from an individual's sale of all or substantially all of a qualified family-owned small business.
- Charitable donations in excess of \$250,000 per year per taxpayer. The charitable donations deduction cannot exceed \$100,000 per year per taxpayer. These amounts are adjusted for inflation annually.

Credits

The following tax credits are included:

- A business and occupation (B&O) tax credit is included for B&O taxes due on the same sale or exchange which is subject to the Washington capital gains tax.
- A Washington capital gains tax credit is included for the amount of any legally imposed income or excise tax paid by the taxpayer to another taxing jurisdiction on capital gains derived from capital assets within the other taxing jurisdiction to the extent such capital gains are included in the taxpayer's Washington capital gains.

How to report and pay the tax

Only individuals owing capital gains tax are required to file a capital gains tax return, along with a copy of their federal tax return for the same taxable year. The capital gains tax return is due at the same time as the taxpayer's federal income tax return is due. 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. However, a filing extension does not extend the due date for paying the capital gains tax due.

Questions

If you have general questions regarding Capital Gains or would like to request a binding ruling, please use our web page titled [Request a tax ruling](#) [4].

Additional resources

[Frequently asked questions about Washington's capital gains tax](#) [5]

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

Links

- [1] <https://public.govdelivery.com/accounts/WADOR/signup/17806>
- [2] <http://app.leg.wa.gov/billsummary?BillNumber=5096&Year=2021&Initiative=false>
- [3] <https://app.leg.wa.gov/RCW/default.aspx?cite=82.87>
- [4] <https://dor.wa.gov/contact/request-tax-ruling>
- [5] <https://dor.wa.gov/taxes-rates/other-taxes/capital-gains-tax/frequently-asked-questions-about-washington-s-capital-gains-tax>