

Washington

★ The Evergreen State ★

GENERAL

General Correspondence	Washington State Department of Revenue Taxpayer Services PO Box 47478 Olympia, WA 98504-7478
Tax assistance	360-705-6705
Website	https://dor.wa.gov/

NEW FOR 2022

Capital gains excise tax. This new tax, effective January 1, 2022, imposes an excise tax on taxpayers with sales or exchanges of long-term capital assets. This tax applies to individuals only. A long-term capital asset is a capital asset held for more than one year. A capital asset for this purpose has the same meaning as in federal law under IRC Sec. 1221 and includes any other property if the sale or exchange of the property results in a long-term capital gain under IRC Sec. 1231 or any other provision of the Internal Revenue Code.

Working Families Tax Credit. Beginning February 1, 2023, the working families tax credit (WFTC) provides payments up to \$1,200 to individuals and families who meet certain eligibility requirements. An interactive eligibility tool is available at <https://workingfamiliescredit.wa.gov/>.

Draft state information. The material in this tab is based on 2022 draft information or information provided on the state's website, as the state had not released final information at the time this publication was completed. Check the Updates section of **Quickfinder.com** for any changes due to final forms and instructions.

CAPITAL GAINS EXCISE TAX

This new tax is effective January 1, 2022. It imposes an excise tax on taxpayers with sales or exchanges of long-term capital assets. This tax applies to individuals only.

⚠ Caution: This tax is currently under judicial review. It will only be applicable if the Washington Supreme Court rules that it is constitutional and valid. **While the appeal is pending, the agency was granted a stay of the Douglas County ruling. The stay does not resolve the issues surrounding the constitutionality of the capital gains tax, but it does preserve the agency's ability to effectively administer and implement the tax and meet statutory obligations, including accepting tax payments, pending a final decision from the Washington Supreme Court. As a result, the online system will be made available to taxpayers to report and pay the tax. The system is targeted to go live in February 2023. If the Court eventually finds the statute to be unconstitutional, any tax payments received will be promptly refunded with interest.**

Filing requirements

Only taxpayers owing capital gains tax are required to file a capital gains tax return. Taxpayers must have capital gains in excess of \$250,000.

Forms to File

The return will be filed online at <https://secure.dor.wa.gov/home/>.

Filing Status

Married taxpayers must use the same status as on the federal return. State registered domestic partners may elect to file a joint return or file separately. All other taxpayers must file as single.

Resident and Part-Year Resident Summary

Taxable income begins with federal long term capital gains. A long-term capital asset is a capital asset held for more than one year. A capital asset for this purpose has the same meaning as in federal law under IRC Sec. 1221 and includes any other property if the sale or exchange of the property results in a long-term capital gain under IRC Sec. 1231 or any other provision of the Internal Revenue Code.

Subtractions from Income

Adjustments. Exclude capital gains and losses allocated to places outside of Washington.

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 individual. The charitable donations deduction cannot exceed \$100,000 per year per individual. These amounts are adjusted for inflation annually.

Exemptions. The following sales or exchanges are exempt.

- 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.
- 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.
- Installment sale gain from assets sold before January 1, 2022.

Calculating Tax—Residents and Part-Year Residents

Calculate tax on Washington net taxable capital gains (federal long-term capital gains, minus exemptions and deductions).

2022 Tax Rate

Washington capital gain excise tax rate	7%
---	----

Credits

The following tax credits are available:

- A business and occupation (B&O) tax credit 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 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 individual's Washington capital gains.

Assembling Return

No paper returns will be submitted. File the return online at <https://secure.dor.wa.gov/home/>.

Federal attachments. Attach a copy of the federal tax return. If the return is too large to be uploaded, select the "I am unable to upload my federal return" checkbox and mail the return to the Department of Revenue.

Washington

Return Due Date

Washington tax returns are due April 18, 2023.

Return Mailing Address

If federal return cannot be uploaded online:

Balance due	Washington State Department of Revenue Taxpayer Account Administration P.O. Box 47476 Olympia, WA 98504-7476
Make check payable to	Not applicable — must pay electronically

Extensions

Washington allows an automatic six-month extension if federal Form 4868 is filed with the IRS.

Estimated Tax

Estimated tax payments are not required.

Electronic Payments

Payments of tax must be made electronically by electronic funds transfer or credit card.

WORKING FAMILIES TAX CREDIT

Beginning February 1, 2023, the working families tax credit (WFTC) provides payments up to \$1,200 to individuals and families who meet certain eligibility requirements.

Filing Eligibility

To qualify for the WFTC, taxpayer and spouse, if applicable, must meet all the following criteria:

- Filed a federal tax return.
- Meet the requirements for the federal Earned Income Tax Credit (EITC), OR would meet the requirements for EITC, but filed with an Individual Taxpayer Identification Number (ITIN).
- Must be at least 25 and under 65 years of age OR have a qualifying child.
- Must have lived in Washington for at least 183 days (more than half the year).
- Must meet the Adjusted Gross Income (AGI) thresholds in the following table.

AGI must be less than		Qualifying Children	Maximum Credit
Filing Status			
Single	Married		
\$ 16,480	\$ 22,610	0	\$ 300
43,492	49,622	1	600
49,399	55,529	2	900
53,057	59,187	3+	1,200

Taxpayers will not qualify if they

- filed federal Form 2555,
- were claimed as a qualifying child of another person,
- had no qualifying children and were claimed as dependent of another person,
- were treated as a U.S. nonresident alien, or
- are currently in a disallowance period from claiming the federal EITC.

Forms to File

Form 14 0001 Working Families Tax Credit Application.

Filing Status

Filing status must be the same as on the federal return.

Resident and Part-Year Resident Summary

Taxpayers need the following:

- Federal tax return and applicable schedules or IRS transcript. Specifically, the reported wages, salaries, and tips from Form 1040, line 1z.
- Legal name, social security number (SSN) or individual taxpayer identification number (ITIN), and dates of birth for taxpayer (and spouse if applicable) and any qualifying children. If taxpayer(s) has applied for an ITIN but has not received it, check the applicable box. WFTC applications will not be processed until the Washington State Department of Revenue (DOR) receives proof that a valid ITIN has been issued or renewed by the IRS.
- Current mailing address and current residential address. A PO box or private mailbox is not accepted. If the taxpayer is homeless, opting out of, or otherwise unable to provide a primary residential address, the Washington State DOR may contact the taxpayer for confirmation.
- Bank routing number and account number if choosing direct deposit.
- Application must be signed by taxpayer(s).

Assembling Return

Federal attachments. Attach a copy of the federal tax return or IRS transcripts.

Application due date

Washington applications for 2022 must be filed by December 31, 2023. Filing begins February 1, 2023.

Application Mailing Address

Resident and part-year resident returns:

Electronic	WorkingFamiliesCredit.wa.gov
Paper	Washington State Department of Revenue Attn: Working Families Tax Credit Division PO Box 47468 Olympia, WA 98504-7468

USE TAX

Washington imposes a use tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in this state are subject to either sales or use tax, but not both. Thus, the use tax compensates when sales tax has not been paid. Use tax is due if:

- Goods are purchased in another state that does not have a sales tax or a state with a sales tax lower than Washington's.
- Goods are purchased from someone who is not authorized to collect sales tax; for example, purchases from an individual.
- Goods are purchased out of state by subscription, through the Internet or from a mail-order catalog company.
- Personal property is acquired with the purchase of real property.