



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Taxable Transfers of Capital Assets

Are cash purchases of capital assets subject to retail sales tax and/or use tax where the purchase and sale agreement provides for the future issuance of common stock in the purchasing organization to members of the purchased organization?

Assume Cooperative Organization purchases all the capital assets of Co-Op for cash. Under the terms of the agreement, the members of Co-Op will receive voting stock in Cooperative Organization after a brief trial period of operation by Cooperative Organization. The former members of Co-Op were completely divested of ownership and control of assets.

Therefore Cooperative Organization is purchasing the capital assets outright for cash and the former members of Co-Op will not have unbroken and continuing control of and beneficial interest in the assets for any period of time for any reason, the provisions of WAC 458-20-106(2) will not apply.

Cash purchases of capital assets of a corporation are subject to retail sales tax or use tax. The purchase is for cash and taxable as a "sale at retail".

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