

Transactions between related parties

In most cases, transactions between related parties are taxable under Washington's tax system.

Sales of goods or services are usually subject to business and occupation (B&O) tax and sales tax, if applicable, when made between:

- Affiliated corporations.
- Partnerships, even though some or all the partners may be the same.
- Related individuals.
- Shareholders and a corporation.
- Partners and their partnership.

Non-taxable transactions between related parties:

- Casual or isolated sales are not subject to B&O tax. These sales are subject to sales or use tax, if the transaction is a retail sale.
- Transfers of **capital assets** to or by a business are not taxable if the transfer is accomplished by an adjustment of the beneficial interest in the company.
- Most distributions of **profits or assets** to partners by a partnership are not taxable. However, services provided to a partnership by a partner may be taxable if payment to the partner is "guaranteed." Payment is guaranteed if it will occur regardless of whether or not the profits of the partnership are sufficient to meet it.

References:

WAC 458-20-106 – Casual or isolated sales – Business reorganizations

WAC 458-20-203 – Corporations, Massachusetts trusts

WAC 458-20-201 – Interdepartmental charges