

Jacob Allen

From: John Katsandres
Sent: Friday, April 21, 2023 12:15 PM
To: Caleb Allen
Subject: RE: CGT

So Section 1061 is the carried interest provision. This basically applies to hedge funds. They get a slice of a fund's equity for management. If they hold that for more than a year but less than three they don't get LTCG treatment. You pay federal tax at the ordinary income rates. But DOR is saying its taxable for WA CGT.

I what you're referencing below is certain dividend income (qualified dividends) which gets taxed at LTCG rate for federal. It's not a sale of property but rather the distribution to shareholders of company profit. This one is very interest to me – I think this is really problematic for the Department. The scary thing here is that I don't think anyone in state government here is likely to have expertise in federal tax. This is a different world with different concepts. But, it's for the children!

From: Caleb Allen <caleba@komconsulting.com>
Sent: Friday, April 21, 2023 11:28 AM
To: John Katsandres <johnk@komconsulting.com>
Subject: CGT

Adam Cline was talking about 1061 securities held for greater than 1 year without a sale being subject to CGT even though no sale but only reportable for federal income tax (something like that). It did not make sense to me because there was no sale to trigger the tax regardless of whether treated as CG for Fed Tax.

Sounds like Jessica Hicks is the person in charge of this tax in DOR

Caleb Allen | KOM Consulting, PLLC | Office: (206) 281-7258 ext. 229 | Mobile: (206) 419-9272 |
Fax: (206) 217-5449 | P.O. Box 99702 | caleba@komconsulting.com | www.komconsulting.com

[Click here](#) to upload files.

This electronic communication may contain information that is CONFIDENTIAL and/or PRIVILEGED and is intended for the use of the recipient or the employee or person responsible for delivering this communication to the intended recipient. If you are not the intended recipient, you are hereby notified that any unauthorized viewing, dissemination, disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is STRICTLY PROHIBITED. If you have received this electronic communication in error, please immediately contact KOM Consulting, PLLC at 206-281-7258.

Circular 230 Disclosure: If this written communication, including any attachments, includes federal tax advice, please be advised that it was not intended or written to be used, and cannot be used for the purpose of avoiding penalties.