

Capital Gains excise tax ruled constitutional

Decision clears the way for the Department to continue collecting the tax

OLYMPIA, Wash. – March 24, 2023 – The Washington State Supreme Court has ruled that the excise tax on capital gains is constitutional and valid. As such, the Department of Revenue will continue collecting the tax which is due April 18, 2023.

“Now that the legal challenges have been settled, the Department of Revenue will continue to uphold its statutory obligation to collect the capital gains tax,” said Revenue Acting Director John Ryser. “I’d like to thank the agency staff who worked through the legal uncertainty to prepare for either outcome. Because of their hard work, the agency has been ready and able to perform its duties since the system went live in February.”

In March of 2022, the Douglas County Superior Court ruled in Quinn v. State of Washington that the capital gains excise tax was unconstitutional and invalid. The State appealed the ruling to the Washington Supreme Court. While the appeal was pending, the agency was granted a stay of the Douglas County ruling to allow the agency to administer and implement the tax and meet statutory obligations. As a result, the capital gains excise tax system went live in February allowing taxpayers to file their tax return, make a payment, or request a filing extension.

Background

Passed by the 2021 Washington State Legislature, [ESSB 5096 \(RCW 82.87\)](#) created a 7% tax on any gain in excess of \$250,000 in a calendar year from the sale or exchange of certain long-term capital assets such as stocks, bonds, business interests, or other investments and tangible assets. The tax took effect on Jan. 1, 2022, and the first payments are due on or before April 18, 2023. Revenue collected from this tax will fund the education legacy trust account and common school construction account.

Additional resources

- [Capital Gains tax webpage](#).
- [Frequently Asked Questions webpage](#).
- How-to videos:
 - [Register for a capital gains account](#).
 - [File a capital gains return](#).

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