

## Income/Franchise:

### Washington: New Law Revises Several Provisions Under Capital Gains Tax and Seeks to Close “Loopholes”

S.B. 5314, signed by gov. 5/20/25; S.B. 5813, signed by gov. 5/20/25. Recently enacted legislation revises various provisions under Washington’s tax on long-term capital gains earned by some individuals from the sale or exchange of certain capital assets [see E.S.S.B. 5096 (2021) and previously issued Multistate Tax Alert (May 13, 2021) for more details on this state tax, as well as previously issued Multistate Tax Alert (March 27, 2023) for more details on the Washington Supreme Court’s decision upholding the validity of the tax]. Applicable as of January 1, 2026, one bill (S.B. 5314) repeals a currently available credit against Washington’s business and occupation (B&O) tax for payment of Washington’s capital gains tax, and instead, provides a nonrefundable credit against the capital gains tax for sales and exchanges that are also subject to the B&O tax “to avoid taxing the same sale or exchange under both” taxes. This legislation also clarifies the capital gains tax treatment of certain long-term capital losses and seeks to close some perceived capital gains tax “loopholes.” Another recently signed bill (S.B. 5813) seeks to create a more progressive rate structure for Washington’s capital gains tax by adding a top tier tax rate of 9.9% for Washington capital gains greater than \$1 million beginning with tax year 2025. Please contact us with any questions.

URL: <https://app.leg.wa.gov/billssummary/?BillNumber=5314&Chamber=Senate&Year=2025>

URL: <https://app.leg.wa.gov/billssummary/?BillNumber=5813&Chamber=Senate&Year=2025>

URL: <https://app.leg.wa.gov/billssummary?BillNumber=5096&Year=2021&Initiative=false>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/washington-law-imposes-new-excise-tax-on-capital-gains.pdf>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-multistate-tax-alert-washington-supreme-court-upholds-capital-gains-tax.pdf>

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