
ENGROSSED SUBSTITUTE HOUSE BILL 1831

State of Washington

52nd Legislature

1991 Regular Session

By House Committee on Revenue (originally sponsored by Representatives Wang and Appelwick).

Read first time March 11, 1991.

1 AN ACT Relating to subjecting certain ownership changes to real
2 estate excise taxation; adding new sections to Title 82 RCW; creating
3 a new section; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that transfers
6 of ownership of a corporation may be, in some circumstances,
7 essentially equivalent to the sale of real property held by the
8 corporation. The legislature further finds that all transfers of
9 possession or use of real property should be subject to the same excise
10 tax burdens.

11 (2) The intent of this act is to apply an excise tax to transfers
12 of corporate ownership when the transfer of ownership is comparable to
13 a sale of real property. The excise tax imposed under this act is
14 intended to be equivalent in burden to the excise tax imposed on sales
15 of real estate under chapter 82.45 RCW.

1 NEW SECTION. **Sec. 2.** Unless the context clearly requires
2 otherwise, the definitions in this section apply throughout this
3 chapter.

4 (1) "Ownership transfer" means a transfer or series of transfers in
5 any consecutive twelve-month period, for a valuable consideration, of
6 ownership of stock possessing more than fifty percent of the total
7 combined voting power of the issued and outstanding shares of each
8 class of stock entitled to vote.

9 (2) "Value of real property assets" means the true and fair value
10 in money, at the time an ownership transfer is completed, of any estate
11 or interest in real property located in this state.

12 NEW SECTION. **Sec. 3.** (1) An excise tax is imposed on each
13 ownership transfer of a corporation, to be paid by the corporation, at
14 the rate of one and twenty-eight one-hundredths percent of the value of
15 the real property assets of the corporation.

16 (2) Chapter 82.32 RCW applies to the tax imposed in this chapter.
17 The tax due dates, reporting periods, and return requirements
18 applicable to chapter 82.04 RCW apply equally to the tax imposed in
19 this chapter.

20 NEW SECTION. **Sec. 4.** The tax imposed in this chapter does not
21 apply to ownership transfers:

22 (1) When the taxpayer demonstrates by a preponderance of the
23 evidence that the primary intent of the ownership transfer is for
24 purposes other than avoidance of the tax imposed in chapter 82.45 RCW.

25 (2) When the value of the real property assets of the corporation
26 is less than fifty percent of the true and fair value in money of all
27 assets held by the corporation at the time of the ownership transfer.

1 (3) Of interests that are required to be registered with the
2 federal securities and exchange commission under the securities act of
3 1933 or the securities exchange act of 1934.

4 (4) By gift, devise, or inheritance.

5 (5) From one spouse to the other in accordance with the terms of a
6 decree of divorce or in fulfillment of a property settlement agreement
7 incident thereto.

8 (6) Solely for the purpose of securing a debt.

9 (7) Upon execution of a judgment.

10 (8) To a corporation that is wholly owned by the transferor and/or
11 the transferor's spouse or children. If such transferee corporation
12 voluntarily transfers the ownership interest, or the real property
13 represented by the ownership interest, or such transferor, spouse, or
14 children voluntarily transfer stock in the transferee corporation or
15 interest in the transferee partnership capital, as the case may be, to
16 other than (a) the transferor and/or the transferor's spouse or
17 children, (b) a trust having the transferor and/or the transferor's
18 spouse or children as the only beneficiaries at the time of the
19 transfer to the trust, or (c) a corporation or partnership wholly owned
20 by the original transferor and/or the transferor's spouse or children,
21 within five years after the original transfer to which this exemption
22 applies, excise taxes shall become due and payable on the original
23 transfer as otherwise provided by law.

24 NEW SECTION. **Sec. 5.** Sections 2 through 4 of this act shall
25 constitute a new chapter in Title 82 RCW.

26 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
27 preservation of the public peace, health, or safety, or support of the
28 state government and its existing public institutions, and shall take

1 effect immediately.