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Washington's Tax on Transfers of Real Estate Is Changing

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A rush to close large real estate transactions in Washington occurred at the end of 2019 due in part to a legislative amendment to the state's real estate excise tax starting January 1, 2020. The real estate excise tax applies to sales of real estate or a controlling interest in an entity owning real estate in Washington. Through 2019, the tax was typically 1.78 percent of the real estate value, based on a state component (1.28 percent) and local component (typically 0.5 percent). The state component will change to a graduated rate structure resulting in a top combined rate of 3.5 percent:

Value — State Component Tax Rate

- up to \$500,000: 1.1%
- \$500,000 to \$1.5 million: 1.28%
- \$1.5 million to \$3 million: 2.75%
- above \$3 million: 3%

Property valued at \$1.8 million or more will see an overall increase in real estate excise tax under the new rate structure.

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