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**Controlling Interest Transfers Paying Record Real Estate Excise Taxes**

**OLYMPIA, Wash.,** Feb. 14, 2007 — Legislation enacted in 2005 to ensure that businesses pay Real Estate Excise Tax (REET) on controlling interest transfers involving real estate has really paid off.

Educational and audit efforts helped lead to the collection of \$29.9 million in REET from such transfers in Fiscal Year 2006, more than double the \$13.7 million collected the previous fiscal year.

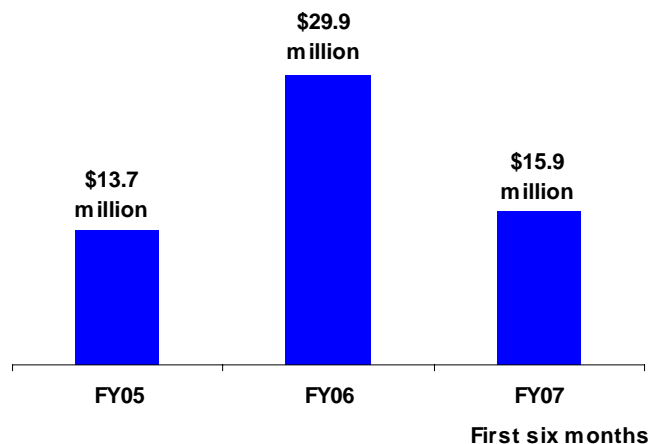
Collections for the first six months of Fiscal Year 2007 were \$15.9 million.

While controlling interest transfers account for a small portion of \$1 billion in REET collected during Fiscal Year 2006, it's still important to ensure that everyone pays the tax when due, Revenue Director Cindi Holmstrom said.

"Fairness is at the heart of our revenue system," she said.

"This legislation helps ensure that tax is paid on all real estate transfers, regardless of how it's transferred."

**Real Estate Excise Tax Collections  
From Controlling Interest Transfers**



A controlling interest transfer occurs when a legal entity that owns real property, such as a corporation or limited liability company (LLC), transfers 50 percent or more ownership in the company.

REET is due on 100 percent of the fair market value of any real property involved, even though no deed is recorded. Since no title was transferred, it was difficult for the Department of Revenue to determine when sales had occurred, and underreporting of the tax was a problem.

The legislation increased the reporting and disclosure requirements of businesses that sell property through controlling interest transfers. It also directed the Department of Revenue to hire more staff to enforce the law, as well as educate businesses about their obligation to pay REET on controlling interest transfers.

Department staff review real estate transfers for unreported tax, typically resulting from improper exemptions and underreported sales values, but most of the revenue comes from encouraging the voluntary reporting of transactions.

The REET includes a 1.28 percent state tax and local tax ranges from 0.25 to 0.50 percent in most cases, for a total tax of 1.53 percent to 1.78 percent.

More information on the law affecting controlling interest transfers is available at <http://apps.leg.wa.gov/wac/default.aspx?cite=458-61a-101>. General information about REET is available at [http://dor.wa.gov/content/taxes/other/tax\\_realestate.aspx](http://dor.wa.gov/content/taxes/other/tax_realestate.aspx).

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