



EXPEDITED RULE MAKING

CR-105 (June 2004)
(Implements RCW 34.05.353)
EXPEDITED RULE MAKING ONLY

Agency: Department of Revenue

Title of rule and other identifying information: WAC 458-61A-211 Mere change in identity or form — Family corporations and partnerships.

NOTICE

THIS RULE IS BEING PROPOSED UNDER AN EXPEDITED RULE-MAKING PROCESS THAT WILL ELIMINATE THE NEED FOR THE AGENCY TO HOLD PUBLIC HEARINGS, PREPARE A SMALL BUSINESS ECONOMIC IMPACT STATEMENT, OR PROVIDE RESPONSES TO THE CRITERIA FOR A SIGNIFICANT LEGISLATIVE RULE. IF YOU OBJECT TO THIS USE OF THE EXPEDITED RULE-MAKING PROCESS, YOU MUST EXPRESS YOUR OBJECTIONS IN WRITING AND THEY MUST BE SENT TO

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Purpose of the proposal and its anticipated effects, including any changes in existing rules: A transfer of real property is exempt from the real estate excise tax if it consists of a mere change in identity or form of ownership of an entity. WAC 458-61A-211 explains that the exemption is not limited to transfers involving corporations and partnerships, and includes transfers of trusts, estates, associations, limited liability companies and other entities. The rule explains when a mere change in form or identity where no change in beneficial ownership occurs and provides examples.

The Department is proposing an edit change for the example provided in Subsection (4)(b), as follows, so that the entity names used in the example read correctly throughout:

For example, Giant Company wants to expand its business. It identifies some real property, but is unable to finance the purchase through a normal loan. It contracts with Mega Loans Inc. to enter into a "synthetic lease" for the purchase of the real property. Under the terms of the synthetic lease, Mega Loans will take title to the real property, and Giant Company will lease it from Mega Loans. Real estate excise tax is paid on the purchase of the real property by Mega Loans. The terms of the lease also provide that ((~~Mega Loans~~)) Giant Company will be the owner for federal tax purposes and ((~~Giant Company~~)) Mega Loans will be the owner for financial accounting purposes. Per the lease agreement, after a specified time Mega Loans will transfer title to the real property to Giant Company. The transfer of title from Mega Loans to Giant Company is subject to real estate excise tax.

Reasons supporting proposal: To clarify the language in the example.

Statutory authority for adoption: RCW 82.32.300, 82.04.150, and 82.01.060(2)

Statute being implemented: Chapter 82.45 RCW, as it applies to changes in identity or form of ownership of an entity.

Is rule necessary because of a:

Federal Law? Yes No
Federal Court Decision? Yes No
State Court Decision? Yes No

If yes, CITATION:

Date

Name (Type or print)

Alan R. Lynn

Signature

Title

Rules Coordinator

Filed: July 7, 2006

Time: 1:43 p.m.

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The above information was input by DOR

Name of proponent: Department of Revenue

- Private
- Public
- Governmental

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Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: