

Your rights and responsibilities

Your rights as a taxpayer include:

- Timely, fair and equitable treatment.
- Written information on appeal procedures and reasons for an assessment.
- Confidentiality of business and financial information.

Your responsibilities as a taxpayer include:

- Filing and reporting taxes.
- Knowing your tax reporting obligations.
- Keeping accurate and complete records.
- Responding to communications from the Department of Revenue.

Definitions

A full list of real estate excise tax definitions are available in WAC 458-61A-102.

Consideration: Money or anything of value given for the transfer of property.

Grantee: A buyer or person who receives the property.

Grantor: A seller or person who transfers the property.



More information

(360) 534-1503

Website

dor.wa.gov/REET

For tax assistance or to request this document in an alternate format, visit dor.wa.gov or call 1 (800) 647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

The Real Estate Excise Tax Audit Process

The Washington State Department of Revenue routinely audits real property transfers to make sure the proper real estate excise taxes were reported and paid.



Why is my transaction being audited?

The law requires the Washington State Department of Revenue (Revenue) to audit real estate transactions to verify the reported selling price is based on the true and fair value of the property and/or the exemptions claimed are valid.

All real property transfers require reporting the transfer and paying the real estate excise tax or claiming an exemption. Most affidavits are filed with the county treasurer where the property is located while entity (controlling interest) transfers are reported directly to Revenue.

What you need to do

The letter with this brochure lists the specific records we will need for your audit. If you have any questions, please contact your Excise Tax Examiner.

We will review your documents to see if the right amount of tax was paid. We may ask for additional documents as the audit progresses. By law, your information will stay confidential unless you provide us written authorization to share it with others.

You should submit your documents to us by mail. If you'd like to submit documents via email or fax, you must complete and return a Confidential Tax Information Authorization with Email/Fax Authorization form. This form can be found on our website at dor.wa.gov. Please ask your Examiner for an extension if you need more time.

You may also come to our office with information. Please contact your Examiner for an appointment.

Avoid penalties and interest

If you don't respond by the due date, we may issue an assessment for taxes, penalties and interest using available information. If the assessment isn't paid or appealed on time, a lien may be filed against the property.

Once past due, you cannot appeal the decision until the assessment is paid.

Finalizing the audit

After reviewing the documents, if your Examiner determines tax is due, we will mail you a tax assessment. If no tax is due, we will mail you a confirmation letter upon request and close the audit.

If you receive an assessment, you have 30 days from the issue date to:

- Pay.
- Request a supervisor conference for clarification.
- Appeal the decision (See WAC 458-20-100).

Types of exemptions

Gifts (WAC 458-61A-201)

Tax is due on any consideration (see below) the grantor received in return for transferring ownership of a property. If someone takes over payments on a loan, a transfer may be both a sale and a partial gift. A Real Estate Excise Tax Supplemental Statement, available on our website, is required to show what happened to any debt payments before and after the transfer. Several transfers require similar documentation, including Tenants in Common (WAC 458-61A-204) and Clearing Title (WAC 458-61A-215).

Consideration can mean many things, including relief of debt. Relief of debt includes the grantee making payments on the grantor's loan, whether or not they assume the debt with the lender. If different people pay the loan before and after the transfer, it's probably a taxable sale (WAC 458-61A-102).

Mere change (WAC 458-61A-211)

If you transferred property into or out of an entity (corporation, LLC, etc.), you may have claimed an exemption based on how much of the property you owned before and after the transfer. We need to see documents showing your share of entity ownership.

Inheritance (WAC 458-61A-202)

The law requires various documentation to exempt inheritance transfers from tax.

Divorce or community property (WAC 458-61A-203)

We need confirmation that you were either married or in a state registered domestic partnership at the time of transfer to allow community property exemptions. If the transfer is part of a divorce, we will need a copy of the divorce decree.

