

# 2025 Washington State Tax Changes

With Washington state in a projected \$15 billion shortfall, the state has recently imposed a list of significant new tax increases. While the tax laws changes were enacted into law in May 2025. You will start seeing changes as soon as July 1. These changes impact estate taxes, capital gains, business taxes, and a wide range of sales taxes.

## ESTATE TAX INCREASES (SENATE BILL 5813)

**Increased Exemption:** Effective July 1, 2025, the estate tax exemption increases from **\$2.193 million to \$3 million**, with annual inflation adjustments commencing in 2026. This will benefit those with a net worth over the old exemption and provide annual increases moving forward.

**Increased Estate Tax Rates:** The previous estate tax rates ranging from 10% to 20% have now been increased with the new range from 10% to 35%. Estates over \$9 million are taxed at the top marginal rate of 35%. For those with a net worth over \$3 million, it can be beneficial to consult your D.A. Davidson Advisor.

**Spousal Residence Exclusion:** For deaths on or after January 1, 2025, a personal primary residence may be excluded from the taxable estate for married couples or registered domestic partners.

## CAPITAL GAINS TAX INCREASES (SENATE BILL 5813)

**Standard Deduction:** The first \$270,000 of net long-term capital gains remains exempt, but with the new addition of the exclusion amount being adjusted annually for inflation.

**Additional Long-Term Tax Rate:** Starting January 1, 2025, an additional 2.9% tax applies to net long-term capital gains exceeding \$1 million, raising the total state capital gains tax rate to 9.9% on top of the applicable federal capital gains rate.

## SALES TAX EXPANSION (SENATE BILL 5814)

Beginning October 1, 2025, services such as digital and professional services like advertising, software development, and IT support will be subject to sales tax. Additionally, it expands the definition of tobacco to include any products that contain nicotine, whether derived from tobacco or synthetic.

## ADDITIONAL TAX INCREASES (SENATE BILL 5161,5801,5801)

Some additional tax increases that could be felt by the consumer in the coming months include:

- 6-cent per gallon increase in the state gasoline tax (indexed for inflation) raising the state tax to 55.4 cents per gallon making it one of the highest in the country.
- 66% tax increase in the motor vehicle sales tax.
- An 8% tax on the portion of the cost of vehicles over \$100,000 (indexed for inflation).
- Additional surcharge on the sale of electric bicycles.
- A new assessment on large events (venues of 17,000 or more) of \$1 per attendee.

**If you have any questions, please reach out to your D.A. Davidson financial professional.**

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