S-3888.1

# SENATE BILL 6229

**State of Washington 69th Legislature 2026 Regular Session**

**By** Senator Frame

AN ACT Relating to taxation of a long-term capital gain of a section 1202 small business stock; amending RCW 82.87.020; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec. 1.** RCW 82.87.020 and 2025 c 409 s 4 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Adjusted capital gain" means federal net long-term capital gain:

(a) Plus any amount of long-term capital loss from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such loss was included in calculating federal net long-term capital gain;

(b) Plus any amount of long-term capital loss from a sale or exchange that is not allocated to Washington under RCW 82.87.100, to the extent such loss was included in calculating federal net long-term capital gain;

(c) Plus any amount of long-term capital loss carryover that is carried forward from a sale or exchange that is not allocated to

Washington under RCW 82.87.100, to the extent such loss was included in calculating federal net long-term capital gain;

(d) Plus any amount of long-term capital loss carryover that is carried forward from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such loss was included in calculating federal net long-term capital gain;

(e) Plus any amount of long-term capital loss carryover that is carried forward from a sale or exchange that occurred before January 1, 2022, to the extent such loss was included in calculating federal net long-term capital gain;

(f) Plus any amount of long-term capital gain or loss from the sale or exchange of a section 1256 contract held for more than one year not included in the calculation of federal net long-term capital gain that would otherwise be included if Title 26 U.S.C. Sec. 1256 of the internal revenue code did not exist;

(g) Less any amount of long-term capital gain from a sale or exchange that is not allocated to Washington under RCW 82.87.100, to the extent such gain was included in calculating federal net long-term capital gain; ((~~and~~))

(h) Less any amount of long-term capital gain from a sale or exchange that is exempt from the tax imposed in this chapter, to the extent such gain was included in calculating federal net long-term capital gain; and

(i) Plus any amount of long-term capital gain from the sale or exchange of an internal revenue code section 1202 qualified small business stock, to the extent such a gain or loss was excluded in calculating federal net long-term capital gain.

(2) "Capital asset" has the same meaning as provided by Title 26 U.S.C. Sec. 1221 of the internal revenue code and also includes any other property if the sale or exchange of the property results in a gain that is treated as a long-term capital gain under Title 26 U.S.C. Sec. 1231 or any other provision of the internal revenue code.

(3) "Federal net long-term capital gain" means the net long-term capital gain reportable for federal income tax purposes determined as if Title 26 U.S.C. Secs. 55 through 59, 1256, 1400Z-1, and 1400Z-2 of the internal revenue code did not exist.

(4) "Individual" means a natural person.

(5) "Intangible personal property" means personal property that is not tangible personal property.

(6) "Internal revenue code" means the United States internal revenue code of 1986, as amended, as of July 25, 2021, or such subsequent date as the department may provide by rule consistent with the purpose of this chapter.

(7) "Long-term capital asset" means a capital asset that is held for more than one year.

(8) "Long-term capital gain" means gain from the sale or exchange of a long-term capital asset.

(9) "Long-term capital loss" means a loss from the sale or exchange of a long-term capital asset.

(10) "Real estate" means land and fixtures affixed to land. "Real estate" also includes used mobile homes, used park model trailers, used floating homes, and improvements constructed upon leased land.

(11)(a) "Resident" means an individual:

(i) Who is domiciled in this state during the taxable year, unless the individual (A) maintained no permanent place of abode in this state during the entire taxable year, (B) maintained a permanent place of abode outside of this state during the entire taxable year, and (C) spent in the aggregate not more than 30 days of the taxable year in this state; or

(ii) Who is not domiciled in this state during the taxable year, but maintained a place of abode and was physically present in this state for more than 183 days during the taxable year.

(b) For purposes of this subsection, "day" means a calendar day or any portion of a calendar day.

(c) An individual who is a resident under (a) of this subsection is a resident for that portion of a taxable year in which the individual was domiciled in this state or maintained a place of abode in this state.

(12) "Section 1256 contract" has the same meaning as provided by Title 26 U.S.C. Sec. 1256 of the internal revenue code.

(13) "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched. "Tangible personal property" does not include steam, electricity, or electrical energy.

(14) "Taxable year" means the taxpayer's taxable year as determined under the internal revenue code.

(15) "Taxpayer" means an individual subject to tax under this chapter.

(16) "Washington capital gains" means an individual's adjusted capital gain, as modified in RCW 82.87.060, for each return filed under this chapter.

NEW SECTION. **Sec. 2.** This act applies to the capital gains earned on or after January 1, 2026.

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