



SALT Alert! 2025-09: Washington State: Temporary Expanded Voluntary Disclosure Program for Investment Income

Governor Bob Ferguson recently signed into law the biennial state budget (SB 5167) which authorizes the Department of Revenue (Department) to administer a temporary expanded Voluntary Disclosure Agreement (VDA) program for taxpayers with unreported investment income subject to Business and Occupation (B&O) tax following the recent *Antio* decision by the Washington Supreme Court. Beginning July 1, 2025, qualifying taxpayers with unreported investment income subject to the B&O tax are permitted, through the VDA program, to report such income to the Department without incurring penalties and interest on past due amounts. Penalties for past due B&O liabilities can reach as high as 39 percent of the unpaid liability.

By way of background, in *Antio*, the state supreme court held that only investment income that was “incidental” to the main purpose of a taxpayer’s business is exempt from B&O tax. This holding was then codified into state law in HB 2081 (chapter 420, 2025 Laws), which also defined “incidental” generally as amounts constituting less than five percent of a taxpayer’s gross income. The new law also provides that investment income of nonprofits organizations, collective investment vehicles, retirement accounts, and family investment vehicles (all as defined in the law) are exempt from B&O tax.

To qualify for the expanded VDA program, the taxpayer (registered or unregistered) must: (1) have unreported investment income subject to the B&O tax; (2) not have been notified of an audit or agency enforcement action on or before July 1, 2025; and (3) not be engaged in a banking, lending, or security business as defined in Revised Code of Washington 82.04.4281. Additionally, the Department has indicated that an affiliate of an entity under audit will qualify for the expanded VDA program if other requirements are met.

The Department has announced that the VDA program will be carried out in two phases: July 1, 2025, through April 30, 2026, and July 1, 2026, through April 30, 2027. Applications will be accepted during each phase. All applications must be made through the Department’s online VDA application portal. A VDA applicant must disclose its identity within 15 days of filing the application, and unregistered applicants must register with the Department for all applicable taxes going forward. The Department intends to extend relief to all income streams reportable by a qualifying taxpayer on the combined excise tax return, but it will still apply penalties to collected but unremitted retail sales tax.

Resources

For additional information regarding the temporary Investment Income Voluntary Disclosure Program, please see [Engrossed Substitute Senate Bill 5167](#). See also the [Investment Income VDA web page](#) and the general [VDA Information](#) page.

Contacts

For additional questions regarding these changes, please contact [Michele Baisler](#), [Alex Low](#), or [Jayson Miller](#).
