

May 1, 2020



## **State Must Invest – Not Cut – to Avoid Long Term Economic Harm**

### **Together we can build a better future for Washington State**

In the COVID-19 pandemic crisis, state and local policy makers need new and better fiscal tools to protect Washington residents and prevent a long and deep recession. Public health needs are escalating, more people are turning to public services to cover basic necessities, and businesses will need help to reopen and bring back employees. Yet public revenues are dropping.

Even after a decade of strong economic growth, the pandemic and recession caught us unprepared. We have great wealth in our state, but also extreme income inequality, systemic discrimination, and a regressive and inadequate tax structure. We have underfunded public health, mental health, higher education, early learning and child care, and other basic services necessary to promote economic security and broad opportunity for all Washington communities. These policy choices have resulted in tens of thousands of working families and small businesses struggling to make ends meet before COVID-19. The pandemic has multiplied the precarious economics facing families and pushed even formerly profitable small businesses to the brink of bankruptcy.

In responding to this pandemic-recession, Washington policymakers must not take the easy and reckless path of austerity. To do so would repeat the mistakes of earlier recessions and further damage our economy. We still have not fully recovered from the state budgets passed in the wake of the Great Recession, which eviscerated early learning, public health, higher education, mental health, state parks, and income support for low-income people.

**Austerity now will feed a downward economic spiral of job loss, business closures, and impoverishment that could result in a whole decade of lost opportunity and blighted dreams.**

Washington State should instead implement forward-looking investments in infrastructure, people, and systems that will promote widespread and equitable recovery. By choosing to finance important public services now, we can come out of this emergency into a new and better normal in which all our people can embrace the future with hope.

Washington is in a relatively lucky position, with pockets of affluence growing even in the midst of this recession. We need to muster the political will to put in place new, equitable

sources of revenue to make up for the drop in receipts as spending and economic activity plummet. Further, we could assist small businesses and consumers by decreasing regressive taxes on sales and gross receipts, and replacing those with progressive taxes to be paid by the most affluent people and profit-taking corporations in our state.

**We can move beyond our reliance on regressive taxes and provide our state with a stronger foundation going forward.**

Progressive revenue options include:

- Taxes on excessive compensation
- A tax on millionaire income
- A wealth tax, focused on stocks, bonds, and saving accounts of billionaires (this is also considered an intangible property tax)
- A pandemic profiteering tax on the amount by which a corporation's revenue and profit increased due to pandemic economic activity
- A renewed inheritance tax
- A more robust estate tax
- Eliminating the tax ceiling in the college grant program put in place for global corporations
- Closing tax loopholes and exemptions that favor corporate islands of wealth
- Taxes on capital gains
- A tax on the reserves of health insurance companies which exceed 400 percent of the insurance company's capital requirements
- A state version of the expiring federal insurance premium tax
- A tax on corporate data-banking

This crisis presents the opportunity for systemic advances. In fact, it requires us to act together for the well-being of us all.

**Let's work together to figure out how best to go forward. Let's make sure that when we say "we are all in this together" our actions and policies make that rhetorical flourish a reality.**