September
2022

Share the Wealth, Washington!

ECONOMIC OPPORTUNITY INSTITUTE

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Executive Summary

Washington is home to nearly one hundred individuals worth a billion dollars or more.[1,2] At the same time, nearly one out of four Washingtonians lives in poverty.[3] State and federal taxes leave most extreme wealth, which is largely held in unrealized capital gains on financial assets, untaxed. Washington has the country's most regressive tax code, and the state's reliance on the sales tax for public revenues creates a structural funding deficit. Taxing extreme wealth, specifically that of ultra-millionaires and billionaires, through a state wealth tax is a pragmatic step for Washington state to take. A state wealth tax is structured as a small (1%) property tax on financial intangible property such as stocks and bonds with some exemption amount; the first $1 billion of wealth held in financial intangible property was exempted in 2021 legislation.[4] Fully funding and providing for social services and public programs using revenues from the state wealth tax will support economic competitiveness and help reduce poverty.

Introduction

America has staggering and growing inequality of income and wealth as well as widespread poverty.[5] Our public infrastructure, whether social or physical, often fails to meet people's basic needs and is frequently unable to respond to crises, such as the COVID-19 pandemic and climate change-fueled extreme weather events.[6] The federal minimum wage has stagnated at $7.25 per hour since 2009.[7] Within this national context, Washington state is ahead of the curve on many issues, especially workers' rights. For example, Washington boasts of higher-than-average union density (19% of employed wage and salary workers in 2021 compared to 10.3% nationwide)[8] and was the first to enact a $15 minimum wage (in SeaTac).[9] Washington has the highest statewide minimum wage and one of the most comprehensive Paid Family & Medical Leave programs.[10] In 2021, Washington's legislature fully funded the Working Families Tax Credit, an expanded, state version of the Federal Earned Income Tax Credit, which will send cash to more than four hundred thousand Washington households.[11]

However, in many areas, we are woefully behind. One out of four Washingtonians lives in poverty (defined as 200% Federal Poverty Level, or $46,060 yearly income for a family of three).[3] Food and housing insecurity have become common across the state as prices rapidly increase.[12] According to a recent National Low Income Housing Coalition report, a minimum-wage worker in Washington must work 72 hours a week to afford a one-bedroom apartment and more than 90 hours a week to afford a one-bedroom apartment in King and Snohomish Counties.[13] Corporate control and the drive for profits lead to higher prices and less choice for consumers, even for basic necessities like groceries and health care.[14] Within the public domain, programs and services have suffered from chronic underfunding for decades and Washingtonians are feeling the impacts. For example, Washington's public schools are now sending a growing number of special needs students to out of state schools, far away from their families and friends due to the lack of resources in the state.[15]

At the same time so many of our neighbors are struggling, Washington is home to immense wealth and resources. Over 17,000 Washingtonians have wealth in excess of $15 million, and our state is home to some of the wealthiest individuals in the world.[16] In addition, Washington state is home to some of the biggest technology corporations in the world, namely Amazon and Microsoft, as well as the entire ecosystem of businesses that have sprung up to take advantage of the immense talent located in our state.

Within this context of poverty and great wealth, Washington's tax code is the most regressive or "upside-down" tax code in the country, wherein those with the most resources pay the least in proportion to their income or wealth toward state and local taxes. Washington's poorest households pay six times more than the highest income households in state and local taxes.[17]

It does not have to be this way. Together, we can build a Washington where we all thrive. A state wealth tax is a missing tool in our state's tool kit to ensure sustainable and ample funding for our communities today and into the future, through good times and bad.

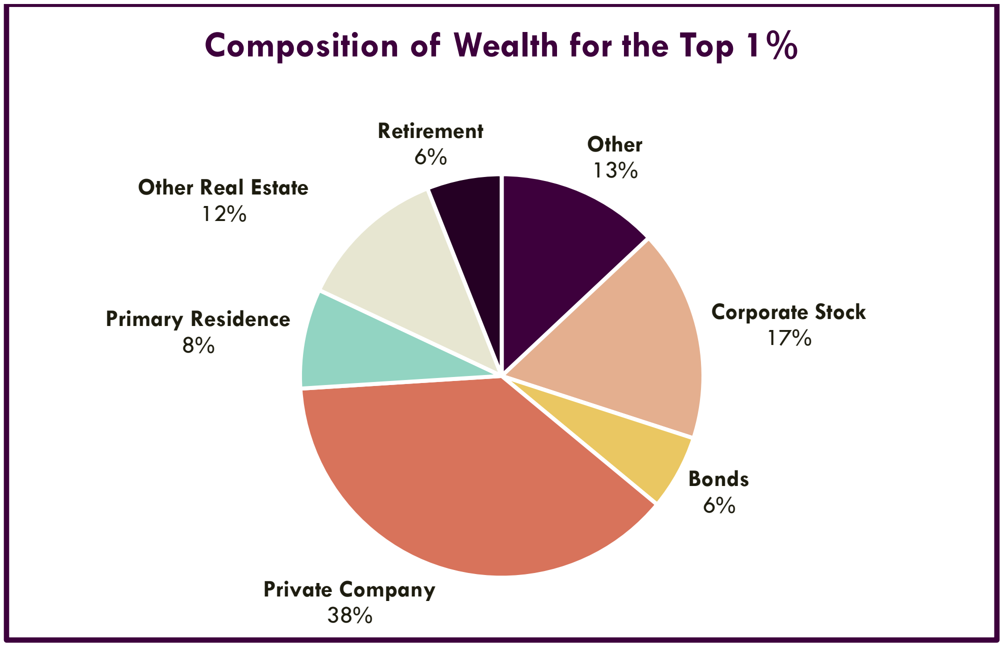
What is Wealth?

In everyday language, "wealth" usually refers to net worth, defined as the value of assets owned minus the liabilities (e.g. debts) owed by an individual, household, or business. Since World War II, our economy and culture have equated wealth with home ownership. Middle class American wealth is held largely in the value of homes.[18]

However, home ownership is unequal across racial demographics. In the United States, the median or typical white family has nearly eight times the net worth of a typical black family and around five times the wealth of a typical Latinx family.[19] These differences in wealth are material consequences of America's long history of oppression, discrimination, and inequality – but also of our current economic rules, including our current tax structure.[20] Historically, Black Americans were excluded from policies that supported home ownership. Policies in the New Deal, such FHA loans, were a pathway to wealth building for millions of Americans but excluded people of color through their design or impact.[21] Systemic racism is built into tax law and financial systems and continues to tamp down on the wealth-building of black homeowners, including depressing the rates at which home values in predominantly black neighborhoods grow versus those in predominantly white neighborhoods.[22] Homeowners of color are often the financial losers in the investment bonanzas that occur when neighborhoods gentrify, which has been clearly documented in Seattle, Washington's Central District neighborhood among other housing markets across the country.[23] As many real estate markets have become international investment opportunities, home ownership has become even more out of reach for historically excluded groups. In addition, younger generations are finding themselves further from building wealth than their parents because of the decades-long trend of home prices outpacing inflation and wage growth.

The second key component of middle-class net worth is household debt. Household debt comes from home mortgages, as well as personal loans, credit card bills, student loans, and, increasingly, medical debt. Household debt, measured as the ratio of debt-to-income (DTI), rose from the 1980s to a peak right before the Great Recession in 2008; the vast number of mortgage defaults during the recession lowered DTI by 0.1.[24] Nearly one in five people in the U.S. have some medical debt, and debt from unpaid medical bills reached $140 billion in 2020.[25] Student loan debt is a drag on the economy and, more importantly, hinders graduates from pursuing their dreams and giving back to their communities. President Biden has paused payments on federal student loans until the end of 2022 and recently provided for $10,000 in student loan debt relief, and up to $20,000 in debt relief for those Pell Grant recipients with loans from the Department of Education.[26] Black graduates tend to have greater levels of college debt compared to their white counterparts as the cost of public higher education has ballooned over the last fifty years at the same time that colleges have become more diverse.[27] A recent report says that nearly three-fourths of U.S. millennials (72%) have some form of non-mortgage debt, with an average debt of $117,000.[28]

In contrast to middle-class Americans, whose wealth resides primarily in home ownership, the wealthy (defined as the top 1% to 0.1% of American households based on wealth), and the ultra-wealthy (the top 0.01% and the nation's 600 or so billionaires[29]) hold their wealth in business equity.[30] In addition to owning real estate, wealthy households often hold the bulk of their wealth in businesses, whether it is shares of publicly traded, corporate stock, equity in privately-held businesses, or in bonds, mutual funds, and other forms of financial assets that are associated with business activity. So, unlike middle America which holds its wealth in real or tangible property, the wealthy and ultra-wealthy hold their wealth in intangible property. Intangible property is anything with value that one can't physically hold, such as patents, intellectual property, stocks, bonds, reputation, and brand assets. Intangible property may have a physical manifestation that serves to symbolize or represent it, but its value is not held in the physical manifestation. Furthermore, accrued value on financial assets, that is, unrealized capital gains, comprises a significant portion of the wealth of the ultra-wealthy. Households with $50 million or more in wealth hold more than 50% of their wealth in unrealized capital gains.[31] As of 2021, a mere 10% of households held 90% of all corporate equity.[32]



Adapted from Batchelder and Kamin, 2019

Income and wealth are distinct from one another but are two sides of the same "resources" coin. Income arises from a transaction, such as selling one's labor in exchange for a wage or salary or selling a financial asset and deriving profits from that sale. In contrast, wealth, as defined above, is property, or something that is held. While distinct from each other, examining sources of income for households across the spectrum of income distribution provides a deeper picture of the nature of wealth in America. Working class Americans, defined here as the 99%, derive their income from working (i.e. labor income).[33] In contrast, going from the top 1% to the top 0.1 and 0.01% of households based on income, the data show that high-income households derive most of their household income from business and asset sales such as stocks and bonds. A series of recent ProPublica articles highlighted the different mechanisms the ultra-wealthy leverage to keep their income, or rather their taxable income, relatively low compared to their overall wealth.[34] One strategy is to leverage wealth held in financial intangible assets to take out personal loans, the income from which is not taxed.

Income Source	Lowest Quintile	81st to 99th %	top 1%	top 0.1%	top 0.01%
Labor Income (%)	61.2	70	44.4	28.5	13.3
Business Income (%)	7.9	6.7	23.6	24.2	18.3
Return on Assets and Capital Gains (%)	1.5	8.2	27	44.5	66.3
Other Market Income (%)	4	9.9	3.7	2.3	1.9
Social Insurance Benefits (%)	25.3	4.9	1	0	0
Average Income ($)	21,000	222,000	1,105,000	5,672,000	48,543,000

Adapted from Jones 2021

Wealth Inequality

Is wealth inequality like the weather, a bad storm that will pass over us eventually? Or a result of policy and the distribution of power with respect to policy making? In his book *Capital in the 21st Century,* Thomas Piketty writes that "there is no natural, spontaneous process to prevent destabilizing, inegalitarian forces from prevailing permanently." This implies that "the history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms."

The Federal Reserve shows that for the first time since it started tracking household wealth in 1989, the top 1% of households hold more wealth than the entire middle 60% of American households.[35] The research of economists Emmanuel Saez and Gabriel Zucman, as well as other economists, reveals that an increasing share of our economy is held in the hands of the wealthiest.[36] At the same time there has been a massive upward transfer of wealth occurring, many more of our family and neighbors are living in poverty. One out of ten Americans has negative net worth.[37] **From 1989 to 2016 as total personal wealth in the United States grew, the average wealth of the bottom 50% actually decreased from about $21,000 to $16,000.[38]**

The onset of the COVID-19 pandemic super-fueled wealth transfers to the top. According to a national study from the Harvard School of Public Health, half of Latinos, Black people, and Native Americans and 29% of White people were experiencing serious financial problems such as difficulty paying rent or affording medical treatment in 2021.[39] The same study showed 19% of U.S. households report losing all of their savings during the pandemic. Meanwhile, billionaires were increasing their wealth by $1.3 trillion, a 45% jump, from March 2020 to March 2021.[40]

Wealth inequality is driven by many factors. One factor is the reliance on homeownership for middle-class wealth building. As described above, middle-class wealth is held in the value of primary residences. The increasingly speculative nature of the housing market has injected greater instability into home ownership. This in turn exposes highly leveraged middle-class homeowners to greater financial risk. The 2008 recession dramatically impacted wealth accumulation for working-class Americans with steep drops in home prices and more dramatic declines in lower-tier housing values. Americans who bet their nest egg on their homes suffered financially and it took them much longer to recover from the recession than their wealthier counterparts. In fact, it took the bottom 50% a decade to return to their pre-recession levels of net worth.[41] Homeownership rates are declining overall compared to earlier this millennium with Black homeownership declining in particular.[42]

A second trend that underlies growing wealth disparity is how new wealth being generated is going to a small fraction of a percent of already wealthy households. A driver of wealth concentration is the intensification of the financialization of our economy. Financialization is generally defined as the shift of productivity from making things with some inherent value to rent-seeking economic activities; it also describes the growing importance of and investment in financial activities within the non-financial sector and in everyday life.[43] Financialization has been posited as a key cause for labor's declining share of income.[44] In the U.S., this growing role of finance in our economy has been accompanied by aggressive corporate consolidation and a decline in labor's bargaining power across all sectors. Consolidation undermines worker and consumer power, eliminating competition for both. A 2018 study revealed that 75 percent of U.S. industries experienced an increase in concentration, meaning fewer and larger firms control more market share over time.[45] The study demonstrated that an increase in concentration leads to an increase in profits for the dominant firms, but the profits arise from increased markups rather than greater efficiency. The paper details that industry profits flowed to investors rather than investments in workers. Again, 10% of the population owns 90% of corporate equity, so when corporate stocks do well, wealthy shareholders profit. Increased profits do not trickle down or mean higher wages for workers.

These dynamics have resulted in an even greater share of new profits going to those who control and own major corporations and financial institutions. According to Princeton economists,[46] "Since Milton Friedman's famous *New York Times Magazine* article, 'The Social Responsibility of Business is to Increase its Profits" (1970), American (and to a lesser extent, European) law and finance has shifted towards a view of shareholder supremacy. Such supremacy takes the form of redesigning CEO pay to incentivize shareholder gains, a greater focus on share buybacks, and other changes to corporate governance that prioritize shareholder value at the expense of business investment and labor earnings. Stock buybacks, once viewed as outright market manipulation and outlawed until 1982, are increasingly used by large corporations. After Trump's Tax Cuts and Jobs Act of 2017, stock buybacks hit a record $190 billion in the first quarter of 2018.

Washington's Tax Code Leaves Extreme Wealth on the Table at the Everyone Else's Expense

There is an abundance of wealth in Washington. The state is the home to giant corporations including Amazon, Microsoft, and Starbucks as well as the many companies, big and small, that have sprung up within this resource-rich business ecosystem. This business activity has led to high incomes and great wealth accumulation. King County ranks 8th in the U.S. in terms of income from assets: in King County, income generated from assets was $24,100 per capita in 2019, more than double the national average of $11,400 per capita.[47] Washington state is home to over 17,000 taxpayers with wealth of $15 million or greater and around 100 taxpayers worth a billion dollars or more. Washington is home to some of the world's wealthiest people.[1]

Coexisting with this great wealth is widespread poverty. A 2021 report from the Governor's Poverty Reduction Workgroup states, "1.75 million Washingtonians – one in four (25%) – live below 200% FPL [$46,060 income for a family of three[48]]. Disaggregating the data shows that Indigenous, Black, and Brown Washingtonians experience much higher poverty rates than the state average (with significant variation within racial and ethnic groups), as do young children and youth, women, people with disabilities, immigrants and refugees, LGBTQIA+, and rural populations)."[49]

Washington has the most regressive tax code in the country, as our state is heavily reliant on the sales tax for public revenue and lacks any form of income tax. A sales tax is *per se* regressive, as how much one pays toward it is not connected to the capacity to pay but is rather based on the price of the good.[50] Not only is the sales tax regressive, but it also sets Washington up for an ongoing, structural deficit of public funds. Fifty percent of our state's revenues come from the sales tax but relative to growth in our state (measured by state personal income) revenues from the sales tax have been on the decline for decades as consumer activity has shifted toward services.[51]

Since the 1980s, state revenue and state spending have declined relative to our state's wealth as measured in total personal income. [52] For K-12 education this trend is particularly revealing. K-12 education funding represents about half of the state operating budget. Relative to total state personal income, K-12 investments went from 3.0% of total state personal income in 1990 to 2.5% today – a decrease of 17%. In 2012, the state Supreme Court ruled in the *McCleary* decision that our state legislature had not met its constitutional duty to amply provide for basic education of students due to chronic underfunding.[53] Despite this ruling and subsequent efforts by the legislature to boost investments, spending on public schools has not returned to 1990s levels.

Other important services like public health, mental health, childcare, higher education, and housing also remain dramatically underfunded. According to the Chamber of Commerce, Washington is the 16th richest state in terms of average per capita income and 10th richest in terms of the income of the top 5%. However, in terms of per capita spending, we rank 29th, below two of the poorest states in the country Louisiana and Mississippi.[54] Our state's tax code is responsible for the low per capita spending.

Our state does have some progressive tools in its toolbox, including the state estate tax and the recently passed tax on excessive profits from capital gains. The capital gains tax, passed in 2021, places a modest 7% tax on profits that exceed $250,000 from the sale of assets that have accrued value, including financial assets like stocks and bonds, and is expected to raise around $500 million a year. This progressive tax impacts only the wealthiest Washingtonians: around 0.2% of our state's total population are expected to pay this tax, the revenues of which will go toward funding early learning, childcare, and school construction.[55]

Washington's estate tax taxes wealth in a limited capacity for very wealthy individuals at their death in the form of the state estate tax.[56] The state estate tax was enacted by a vote of the people on a statewide ballot measure to replace the state's inheritance tax in 1981. Today, taxable estates (those worth $2.2 million or more) must assess the value of their gross estate, which includes property such as stocks and bonds, real estate, and personal property. The Washington Department of Revenue handles hundreds of estate tax filings every year, but most of the revenue from the estate tax comes from large estates, not those comprised of family-owned or small business assets. In the three years of returns analyzed for a 2005 DOR study, the department found that closely held business assets (often times family-owned businesses) contributed over half the value in only about eight taxable estates per year, which amounts to only 4% of taxable estates.[57] The state estate tax raises around $150 million a year, with revenues going toward public education.

It should be noted that the state estate tax exists in a weakened system of estate tax at the federal level. The federal estate tax has been progressively weakened over the years and is riddled with loopholes that the nation's wealthiest families (legally) exploit with the help of professional wealth and tax advisors.[58] The filing threshold for the federal estate tax is now $11.7 million; an analysis by the Institute on Taxation and Economic Policy shows that the percentage of estates subject to the federal estate tax has decreased from 2.16% in 2000 to 0.06% in 2018.[59]

One of the loopholes in state and federal estate tax law that provides a major handout to the wealthy families is the "stepped-up" basis.[60] If an individual buys an asset during their lifetime that accrues in value and then passes it on to a family member upon death, that stock's basis will be adjusted up to the market value at the time of death. This step-up in basis means that if the inheritor goes to sell that asset, capital gains will only be applied to the value the asset has accrued since it was inherited, not the total amount that it has accrued since it was originally purchased.

In conclusion, wealth held in financial assets is not taxed unless it is sold or until the asset owner dies and even then, the estate tax leaves most extreme wealth, that held in unrealized capital gains, untaxed due to tax loopholes built into the system. Given the extreme wealth in Washington and the ongoing, structural deficit created by our regressive tax code, taxing wealth is a logical, pragmatic step for our state to take.

The Washington State Wealth Tax

The state wealth tax is structured as a 1% property tax on financial intangible financial assets held by the ultra-wealthy, such as stocks and bonds. Some amount of wealth is exempted from taxation in order for the focus to be on the extreme wealth of the ultra-wealthy and billionaires; in the original legislation, this exemption is set at $1 billion.[4] The entire class of financial intangible property, which includes stocks, bonds, and similar assets is taxed uniformly at a rate of 1%, which is consistent with the state constitution's uniformity rule and 1% property tax limitation. The legislature already has the power to exempt property from taxation; specifically, article 7, section 1 of the Washington Constitution states that "[s]uch property as the legislature may by general laws provide shall be exempt from taxation."

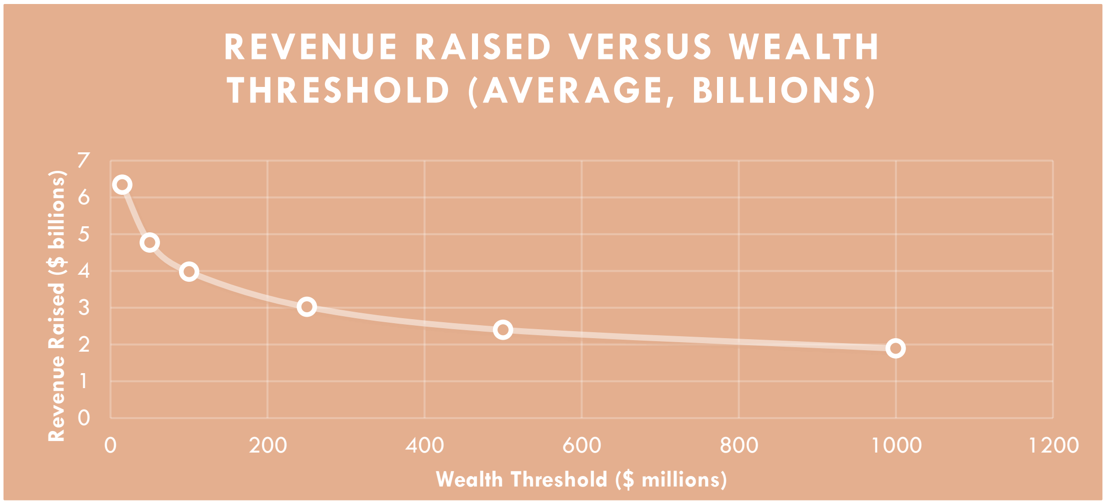
A state wealth tax would introduce parity into the property tax code. Real property is taxed annually on the privilege of owning it, wherein the assessed value, which includes unrealized gains, is taxed at a combined state and local rate of about 1%. Real property is also taxed when it is sold, which is essentially a tax on the realized gains, or the accrued value, on the real property. Thus, the state wealth tax is to the real property tax as the capital gains tax is to the real-estate excise tax.[61]

The state wealth tax is implemented by assessing the market value of financial intangible property and levying a 1% tax on wealth above the legislatively-determined exemption threshold. The vast majority of the wealth that would be taxed under the state wealth tax is held in publicly traded stocks and bonds, which are easy to value as their market value is posted daily.f However, some types of assets may be more difficult to assess than others, such as shares or units of ownership in private companies (i.e. those not publicly traded).[62]

There are several approaches for valuing these types of assets. First, there are already many situations in which these assets are assigned a value in both tax and non-tax contexts. Tax contexts include estate taxes or charitable contributions deductions. Non-tax contexts include when private companies seek venture capital funding or when shareholders of private businesses sell their holdings on secondary markets.[63] Another approach for assigning fair-market value for these types of assets is to use third-party appraisers, the approach used for valuation of these types of assets for the Washington state estate tax.

Enforcement of the wealth tax includes minimum audit rates that would increase over time to 20% of wealth-tax payers in 2026. Audits would be the main enforcement mechanism for the state wealth tax, which is practical because of the small fraction of taxpayers impacted by a tax on extreme wealth held in financial assets. For instance, under 100 people would pay the wealth tax if implemented with a $1 billion exemption.

In addition to these policy considerations, the wealth tax has the ability to collect significant amounts of revenue. At a $1 billion threshold, nearly $2 billion would be collected per year. If the wealth threshold were lowered to $15 million, the tax would raise $6.5 billion a year.



Source: Department of Revenue modeling, 2022.

Wealth Exemption Amount	Number of Taxpayers	Revenue Raised in Fiscal Year 2024 (1st year of implementation)
$1 billion	100	$1.9 billion
$100 million	2,000	$4.2 billion
$50 million	4,400	$4.9 billion
$15 million	17,400	$6.6 billion

Source: Department of Revenue modeling, 2022.

Modeling from the Department of Revenue shows that wealth-tax payers are concentrated on the west side of the state along the I-5 corridor. This information on location of those who would pay the wealth tax is not available at higher wealth thresholds due to privacy limitations; the Department of Revenue cannot disclose information for a given geographic area if the number of taxpayers decreases to 100 or fewer. At the $15 million wealth threshold, King County is home to 9,680 out of 17,400 (56%) of the wealth taxpayers. When broken down by legislative district (LD)[64], the top six LDs are all within King County with Skagit, San Juan, and Whatcom (LD 40) as the seventh. At the $50 million threshold, the 2570 out of 4400 (58%) total taxpayers are residents of King County; the top seven are LDs all in King County, followed by LD 40. As a point of comparison, the recently passed tax on realized capital gains impacts just over 8,000 taxpayers in Washington, with a majority of living in King County.[65]

One common concern regarding the implementation of the state wealth tax is the ultra-wealthy will move to other states to avoid having the new policy apply to them. Multiple studies have investigated the hypothesis that the rich are highly transitory actors who move to optimize their taxes. In general, studies have revealed that, "Elites may be mobile in principle but often their social capital is not; social, professional, and business networks are not individual property that relocates with a mover."[66] For instance, Young *et al* used IRS data to track the movement of top earners over twelve years across the US in response to increases in the top income tax rates in states and found "the magnitude of the [millionaire] migration response is small, and has little effect on the millionaire tax base."[67] Cristobal Young's book, "The Myth of Millionaire Tax Flight: How Place Still Matters," examines the question, "will the wealthy move to optimize their taxes?" from various angles, looking at both millionaires and the global billionaire class.[68] This extensive study revealed that the narrative we have bought into as a society, that the rich and the ultra-wealthy are highly mobile, is false: the highly-mobile billionaire is an exemption to the rule. Rich countries like the United States, Japan, and Denmark have very high rates of billionaire retention above 80%. Of the world's richest thousand people, mobile billionaires represent around 5%. They go on to state that, "Public perceptions about billionaire mobility are largely mistaken, because we have let the power of the anecdote overpower the reality on the ground." In fact, the world's top physicists are much more mobile than billionaires. When they examined the biographies of the world's billionaires who do live abroad from their country of birth they found that two thirds of these billionaires (97 out of 142) either moved as children (30%) or for education and early professional reasons (30%) and only a third of the billionaires they analyzed (45 individuals) moved after they'd achieved financial success. Other studies of real-world "experiments" of migration of the rich in response to income tax changes in California and New Jersey show similar results.[69,70]

Wealth Tax Precedents

Since the beginning of the COVID-19 pandemic in 2020, state and federal legislators have introduced different forms of wealth taxes to address the need for ample, sustainable public revenue and the growing concentration of wealth in the hands of the ultra-wealthy.

At the federal level, Senators, Representatives and President Biden have proposed different policies to tax extreme wealth. President Biden has included a minimum income tax for the ultra-wealthy, which includes unrealized gains in the calculation of income, in his 2022 budget proposal.[71] In 2019 Senator Bernie Sanders[72] introduced a tax on extreme wealth of households worth more than $30 million; in 2021, Senator Warren and Representative Jayapal introduced a similar wealth tax on households worth more than $50 million.[73] In 2022, Representative Bowman introduced "Babies over Billionaires" legislation that would tax unrealized gains on publicly traded and privately held financial assets for those with $100 million more in taxable wealth.[74]

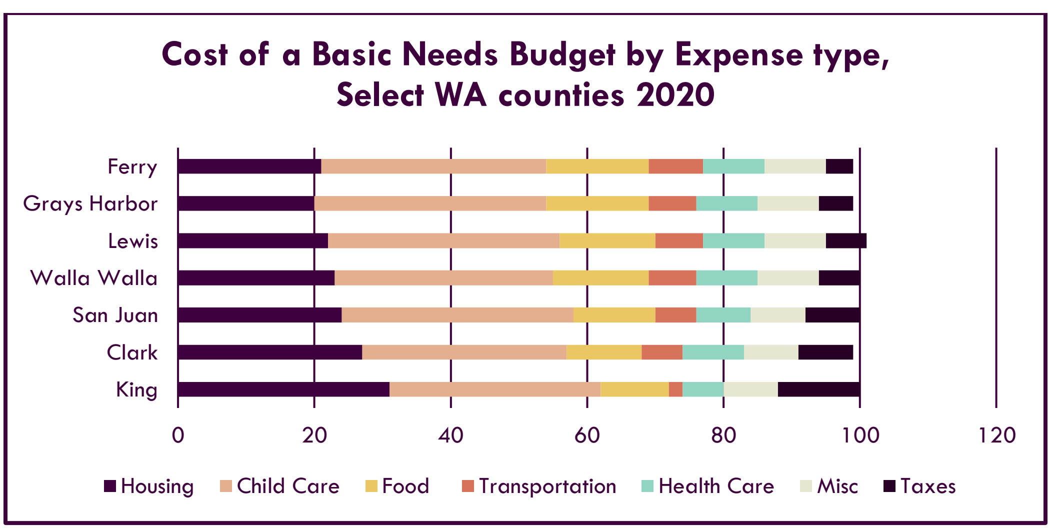
California legislators introduced the first state-level wealth tax in 2020, and an updated version of this legislation was introduced during the 2022 legislative session. The more recent legislation would raise around $22 billion a year by taxing net worth of households worth $50 million at 1% with a 0.5% surcharge for the state's billionaires.[75] New York legislators introduced a state wealth tax structured as a mark-to-market tax in 2020.[76] A mark-to-market tax only taxes the accrued gains, not the entirety of the property, on a given class of assets.[77] A growing number of progressive legislators in states across the country have introduced state-level wealth taxes, including in Illinois[78] and Minnesota,[79] indicating a growing understanding of how wealth taxes are a missing link in state tax codes. There is a national movement building around reforming state tax codes to respond to the changing economy and growing wealth inequality.

It should be noted that in 1990, twelve Organization for Economic Cooperation and Development (OECD) countries had wealth taxes and as of 2021 only three of those countries still have their wealth tax in law. Those countries are Switzerland, Spain, and Norway. European wealth taxes are very differently structured than those introduced in the U.S. The biggest differences are that European wealth taxes tax middle-class wealth and feature many exemptions. Luxembourg's wealth tax, in place from 1934 to 2006, had a single-filer threshold of €2500 (~$2,900). On the high end, France's wealth tax had an exemption threshold of €1.3 million. Low wealth tax exemption thresholds can cause liquidity problems for taxpayers whose wealth is composed of illiquid assets. Low thresholds also mean that the number of residents subject to the wealth tax is large, which creates administrative challenges. Furthermore, exemptions built into wealth taxes, perhaps intended for lower-wealth taxpayers, end up largely benefiting the wealthy who can use tax advisor services to lessen their tax bill or avoid paying the tax altogether. These are important lessons to apply to designing and implementing effective wealth taxes in the U.S. American wealth taxes should aim to tax the extreme wealth of ultra-millionaires and billionaires held in financial assets and should be carefully structured to avoid the creation of exemptions and loopholes that can be exploited by the services of professional wealth advisors.

Reducing Inequality & Funding the Public Good

The bipartisan Tax Structure Workgroup, convened in 2017 by the state legislature to study Washington's tax structure and propose reforms, commissioned a study from economists at Western Washington University on the impact of our tax code and tax burden on economic competitiveness.[80] The results of this study, which examined a variety of measures of economic competitiveness and incorporated various peer-reviewed studies into their analysis, are unequivocal: there is no significant connection between the tax code, tax burden and economic competitiveness. The summary states that, "the combined results suggest no clear, strong relationship between tax burden, tax structure or tax type, and economic competitiveness." Rather, the ways that governments spend public revenues and the sufficiency of public revenues to provide quality public programs and services is significantly connected to economic competitiveness. The report states that "non-tax related variables, such as college enrollment and poverty rate are typically significant. It seems that measures that reduce poverty and/or that increase college participation could increase competitiveness."

The Governor's Poverty Reduction Workgroup published a ten-year plan to reduce poverty in Washington.[81] Their data show that across the state, the costs of housing and childcare are the two most significant factors in family budgets. Their policy plan, supported by extensive research and engagement with communities across the state, addresses the root causes of poverty, including housing, childcare and higher education costs. Public spending to address these areas of family budgets or policies to provide cash assistance to families, such as through the Working Families Tax Credit or programs like the Guaranteed Basic Income, could reduce the prevalence of poverty in Washington.



Adapted from the Blueprint for a Just and Equitable Future

The state should pass a state wealth tax on extreme wealth and use the public revenues from this progressive tax to fully fund existing programs that impact everyday Washingtonians: whether it is ensuring that every child in public schools can receive a quality education from fairly compensated teachers and staff, or that every person in Washington can find affordable housing or find appropriate childcare for their children. The data shows that how state lawmakers spend public revenue and invest in communities and our collective future is what makes Washington a great place for everyone.

There is great wealth in Washington, but state legislators are leaving extreme wealth on the table at the expense of our neighbors and our families. It is time that to close this loophole and tax extreme wealth held in financial assets. The revenue raised from the state wealth tax can be used to fully fund and expand public programs and services across the state of Washington. It's time to share the wealth, Washington!

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