

Progressive Revenues to Rebuild Washington's Economy

Washington's communities are hurting from the combined effects of the coronavirus pandemic, social isolation, and loss of income. To prevent extreme hardship, promote health, and provide opportunity to Washington's diverse communities, the state must **increase investments** in public health, education, housing, and income support for the most vulnerable.

Washington State faces a \$7 billion budget deficit over the next three years. Cutting the budget now will cause lasting harm to millions. Austerity will feed a downward economic spiral of job loss and business closures that could result in a decade of blight and economic privation.

In responding to this pandemic-recession, policymakers must not repeat the mistakes of 2009 through 2011, when they eviscerated early learning, public health, higher education, mental health, state parks, and income support. Those cuts deepened and perpetuated racial and geographic inequality. As a result, many working families and small businesses were already struggling to make ends meet when the current crisis hit.

Policymakers must make forward-looking choices to raise new progressive revenues for investment that will promote widespread and equitable recovery. Washington is in a relatively fortuitous position, with steadfast pockets of great wealth and thriving businesses. By financing important public services now, we can come out of this emergency into a new and better normal in which all people can face the future with hope.

Measures which would result in immediate increases in revenue:

- **Raise the cap on the Workforce Investment Surcharge – up to \$50 million per year:** In 2019 and 2020, the Legislature acted to fully fund the College Grant program for low- and moderate-income Washingtonians through a business tax surcharge on certain higher-revenue businesses (SB 6492). However, the Legislature shielded global corporations, capping their contributions at \$9 million a year. For Amazon, which made \$75 billion in the first three months of 2020, \$9 million amounts to 0.00003 percent of its revenue. For the 40 companies with more than \$25 billion in annual revenues, the ceiling provides a tax windfall of at least \$50 million a year.¹
- **New corporate tax on high compensation – up to \$1 billion per year:** Proposals have already been introduced to tax corporations that choose to pay high salaries to their top executives. SB 6017, introduced in 2019, would have taxed corporations on compensation levels above \$1 million and raised \$363 million in the current biennium and \$625 million in

¹ <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58055>;
<https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58142>

the 2021-23 biennium.² Lowering the threshold to \$500,000 could raise \$1 billion. The Employment Security Department has compensation records; receipts could begin in 2021.³

- **Estate Tax Reform on the wealthiest estates – \$50 million per year:** Senate Bill 6581, amended to close estate accounting loopholes, would increase estate taxes on approximately 80 of the wealthiest estates, with values in excess of \$6.5 million.⁴ It would also eliminate the estate tax for 25 percent of estates, and decrease taxes on 50 percent of estates. Because the estate tax is already in place, the increases and decreases in taxation could be immediate for all deaths occurring after legislation is signed into law.

Progressive taxes resulting in billions of dollars for the 2021-23 biennium:

- **Billionaire Wealth Tax – over \$4.4 billion per year:** Jeff Bezos, Steve Ballmer, Craig McCaw and ten other Washington residents have a combined wealth in excess of \$441 billion. They would be subject to a 1 percent tax on intangible property (stocks and bonds) in excess of \$1 billion.
- **Millionaire Income Tax – over \$3.9 billion per year:** A 12.5 percent marginal tax rate for income in excess of \$1 million would tax 12,500 people in Washington (one third of one percent of all taxpayers). This rate is lower than California's top rate. A marginal tax at Oregon's top rate of 9.9 percent would generate almost \$3 billion. Because of State Supreme Court decisions overturning a popular initiative and state law in 1933 and 1935, the millionaire tax would trigger an automatic legal challenge. The Legislature could request expedited review so that revenue could be forthcoming in 2022.
- **Inheritance Tax - \$517 million:** The inheritance tax is a tax on the privilege of receiving assets from an estate. When it was in law in Washington, it generated three times the revenue later generated by the estate tax.⁵ Maryland has both estate and inheritance taxes;⁶ New Jersey had both taxes until 2018.⁷
- **Capital Gains Tax - \$1 billion per year:** A capital gains tax, such as a 10 percent tax on gains above \$100,000, would trigger a legal challenge. The Legislature could revisit introduced bills and request expedited review so revenue could come in 2022.⁸

By choosing from these new progressive sources of revenue, Washington's policymakers can make the investments critical to recovery from the pandemic and to building healthy communities in which all Washington residents have the opportunity to thrive.

² <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58060>

³ <https://app.leg.wa.gov/billsummary?BillNumber=6017&Year=2019>

⁴ <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=60052> The current version would bring in approximately \$16 million a year.

⁵ See former RCW 83.01-83.98

⁶ <https://www.marylandtaxes.gov/business/estate-inheritance/index.php>

⁷ <https://www.state.nj.us/treasury/taxation/inheritance-estate/inheritance.shtml>

⁸ See <https://app.leg.wa.gov/billsummary?BillNumber=2156&Year=2019&Initiative=false>