

A **QUICK** GUIDE TO WASHINGTON'S TAX CODE

Economic Opportunity Institute

September 23, 2021



WHY DO WE CARE ABOUT REVENUE AND TAXES?

Investment in the public good is an investment in all of us



EDUCATION

Early learning, pre-K
through 12th grade
public school, community
and technical colleges,
world-renowned research
universities



PUBLIC SPACES

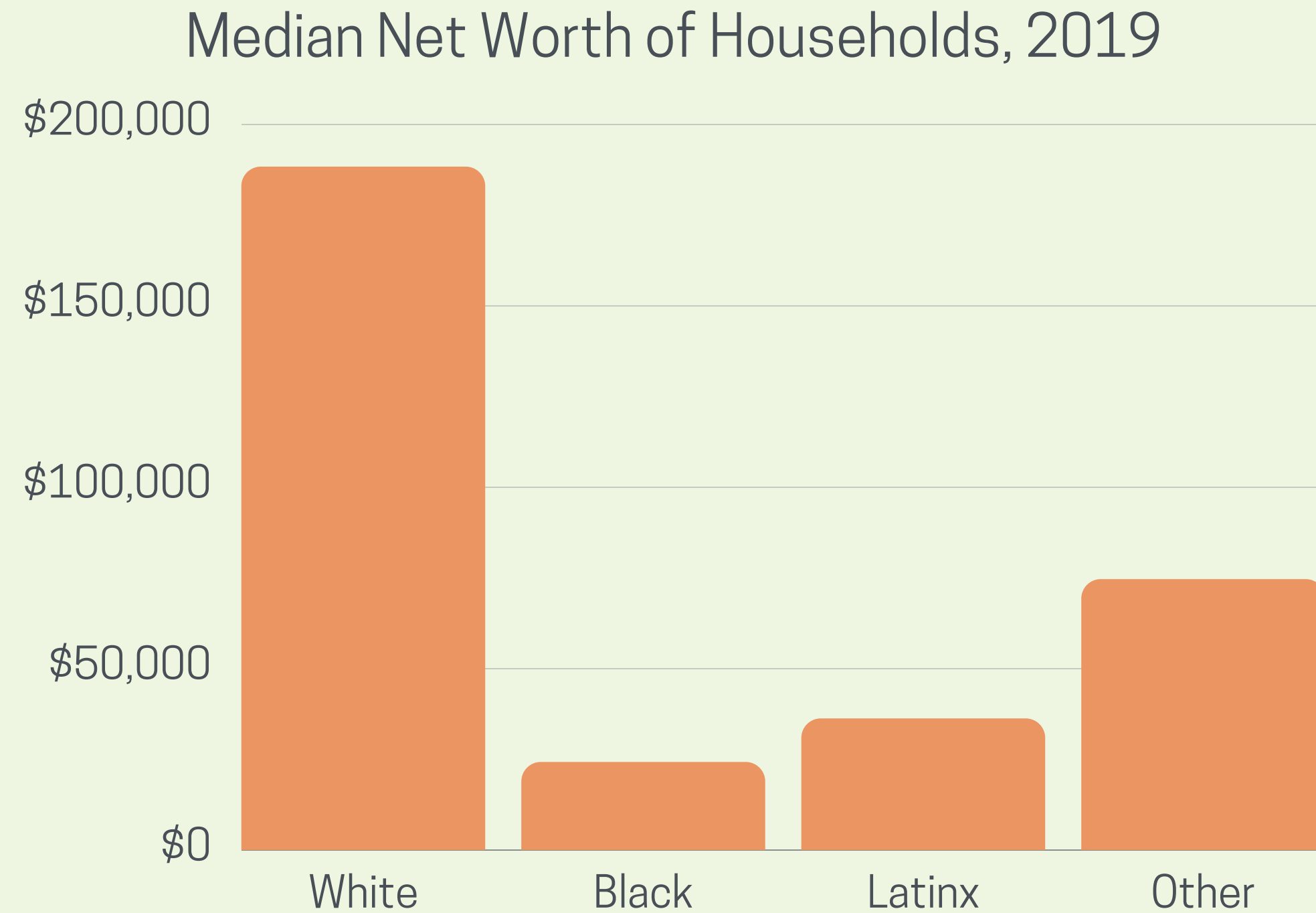
Environmental
protections, public
parks, community
centers



HEALTH & SERVICES

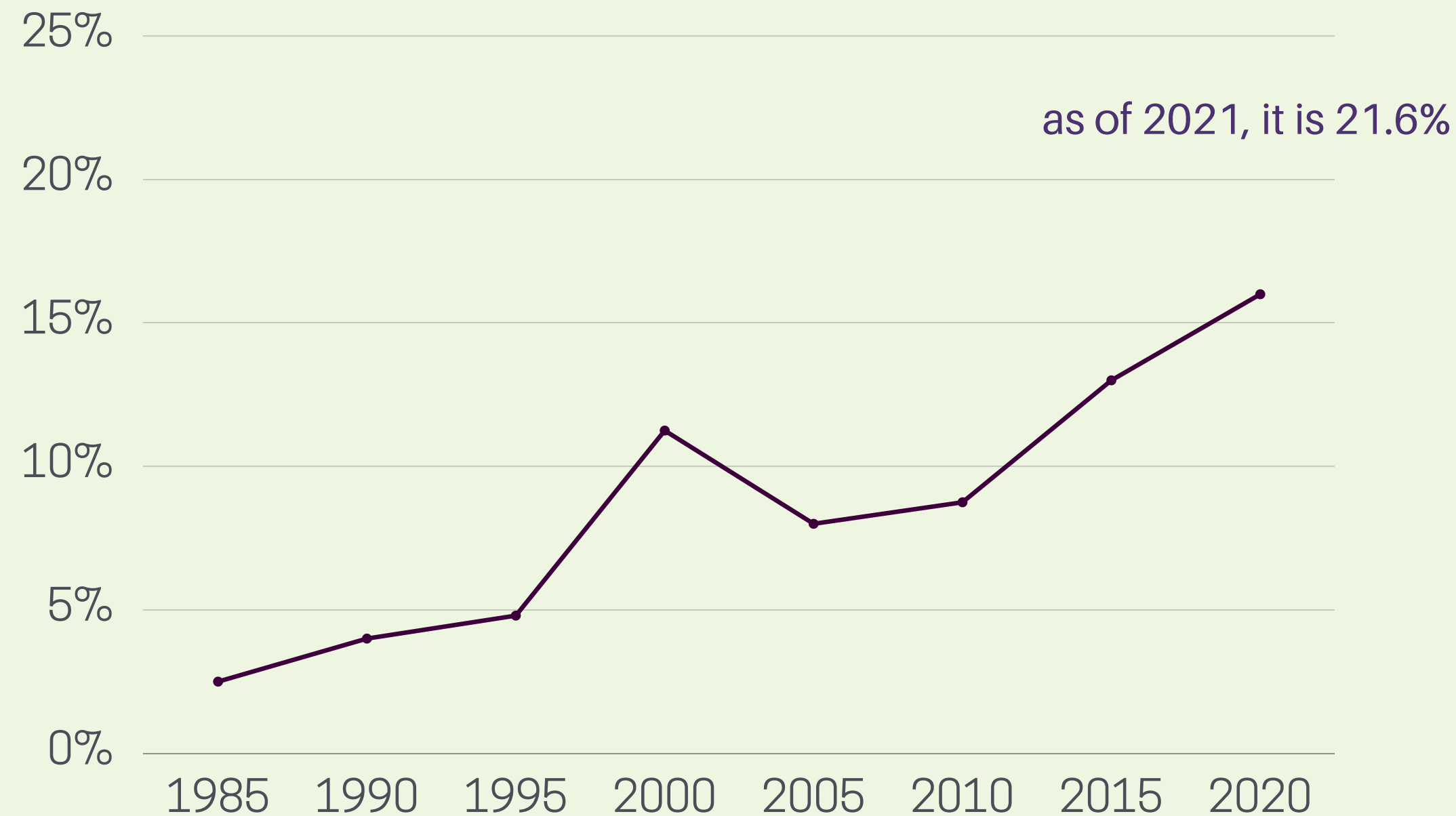
Public health,
long-term care,
fire departments

WHY DO WE CARE ABOUT REVENUE AND TAXES?



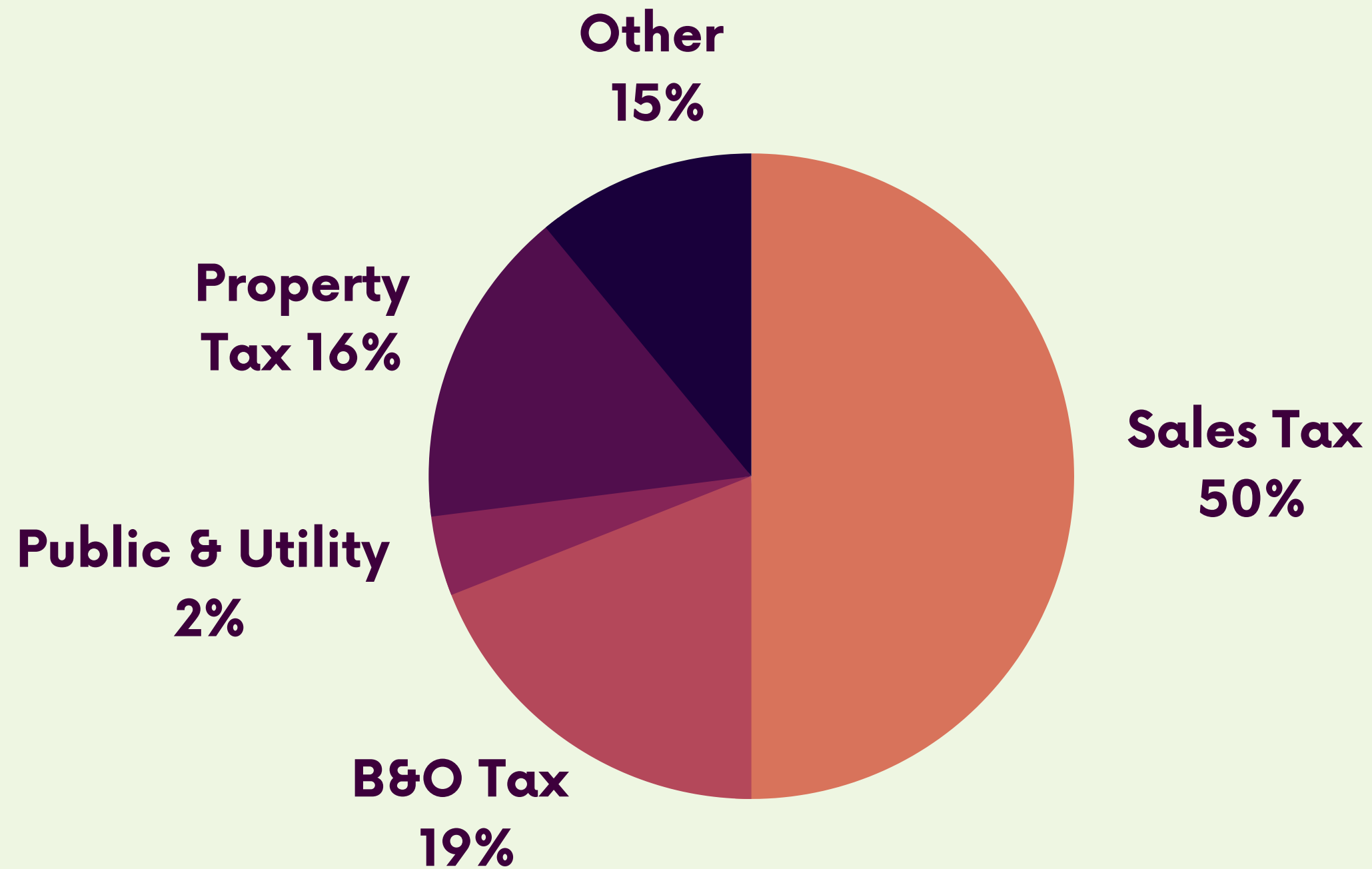
WHY DO WE CARE ABOUT REVENUE AND TAXES?

Wealthiest 400 American's Wealth as a Share of the Economy
(total annual US national income)



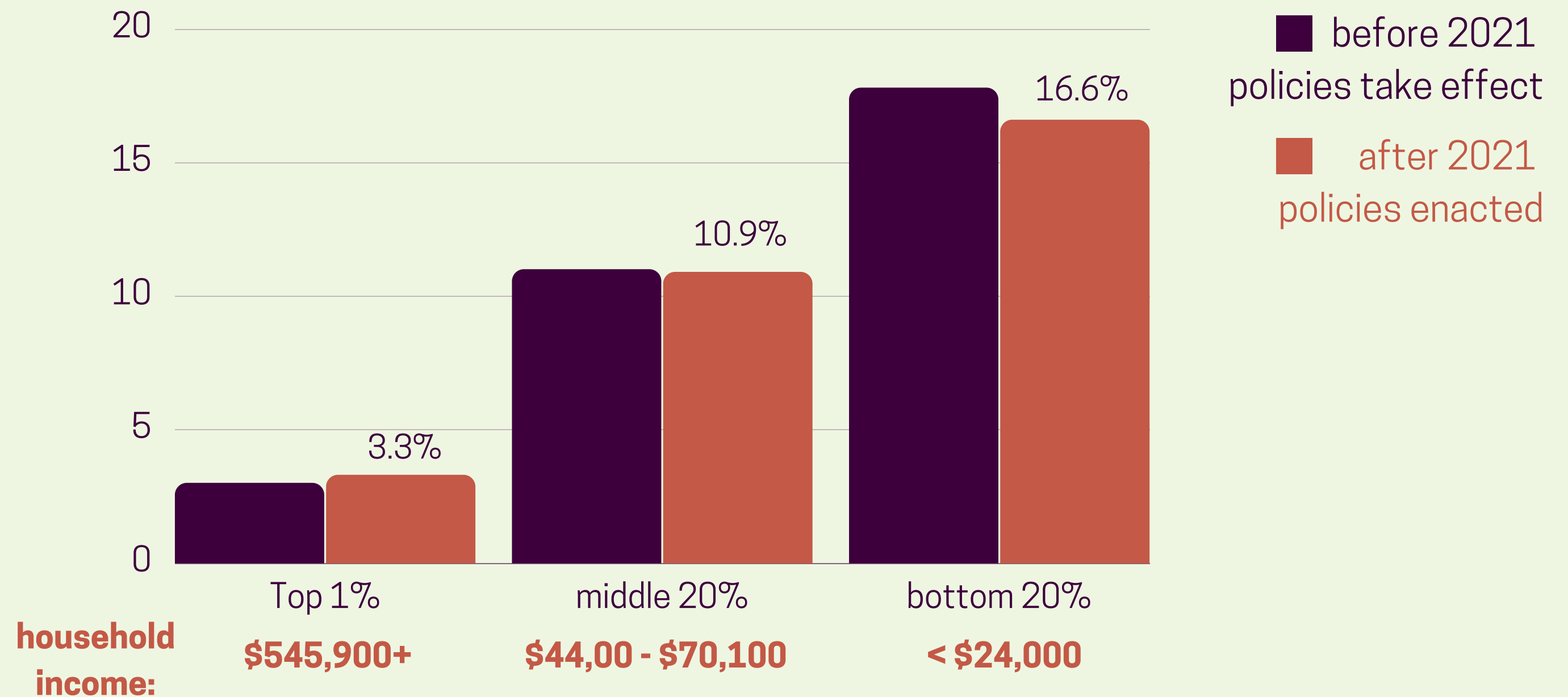
HALF OF WA STATE REVENUES COME FROM THE SALES TAX

Our out-dated tax code looks much like it did in 1935



THOSE WITH THE LEAST PAY THE MOST IN WA

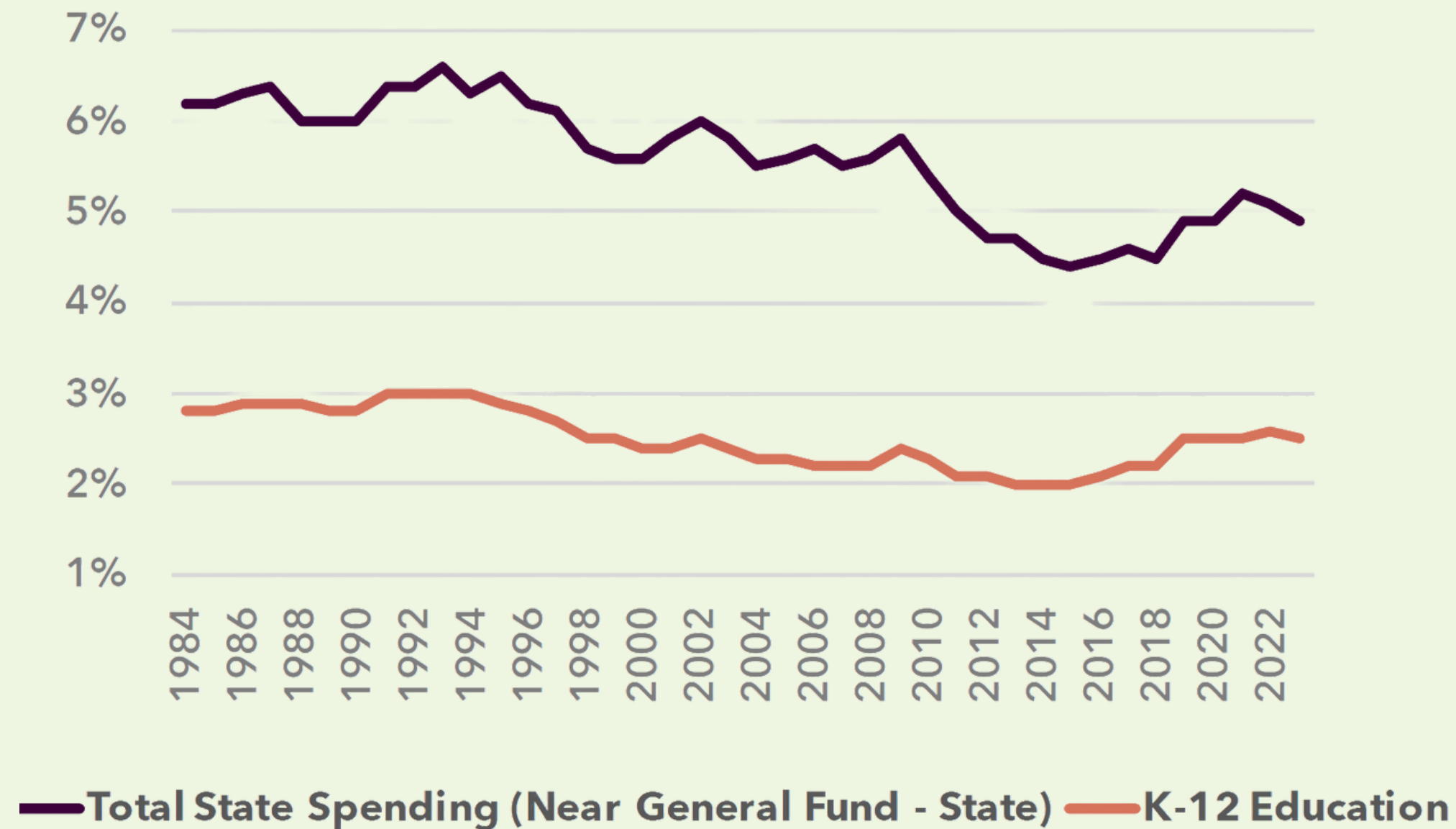
Percent Household Income Spent on State & Local Taxes in WA



www.opportunityinstitute.org

INVESTMENT IN THE PUBLIC GOOD HASN'T KEPT UP

WA State Spending as a Percentage of Total State Personal Income



TAX FACTS TO REMEMBER:

- **Washington has the least fair (most regressive) tax code in the country** in which the poorest households pay the most relative to their income.
- Though **the legislature passed policies to help low-income families and raise taxes on the top 1% in 2021**, our taxes remain unfair.
- **Small and low-margin businesses also bear the brunt of unfair taxes** as the B&O tax is on gross receipts rather than profits. Businesses also pay the sales tax.
- While we are one of the wealthiest states, **funding of the public good hasn't kept up to meet the needs of the 99%.** State spending relative to wealth has declined since the 1980s.



WHAT'S NEXT?

2021-2022

**TAX TOWNHALLS
&
STATE LEGISLATIVE SESSION**

2022-2023

**TAX STRUCTURE WORKGROUP
&
HOLISTIC TAX REFORM**

5 PROGRESSIVE REFORMS WE CAN MAKE NOW FOR FAIRER TAXES AND STRONGER COMMUNITIES

- 1 Tax the wealth of the ultra-wealthy**
Rep. Frame's HB 1406 Raises ~\$2.5 billion/year
- 2 Reform the state estate tax**
- 3 Close the inheritance tax loophole**
- 4 Eliminate Legal Fines and Fees (LFOs)**
High rates of interest penalize low-income people
- 5 Reduce targeted property taxes to prevent displacement**



2022 LEGISLATIVE SESSION

JANUARY - APRIL 2022

TAX THE WEALTH OF THE ULTRA-WEALTHY

A wealth tax introduced by Rep. Frame 2021, HB 1406 would raise \$2.5 billion/year

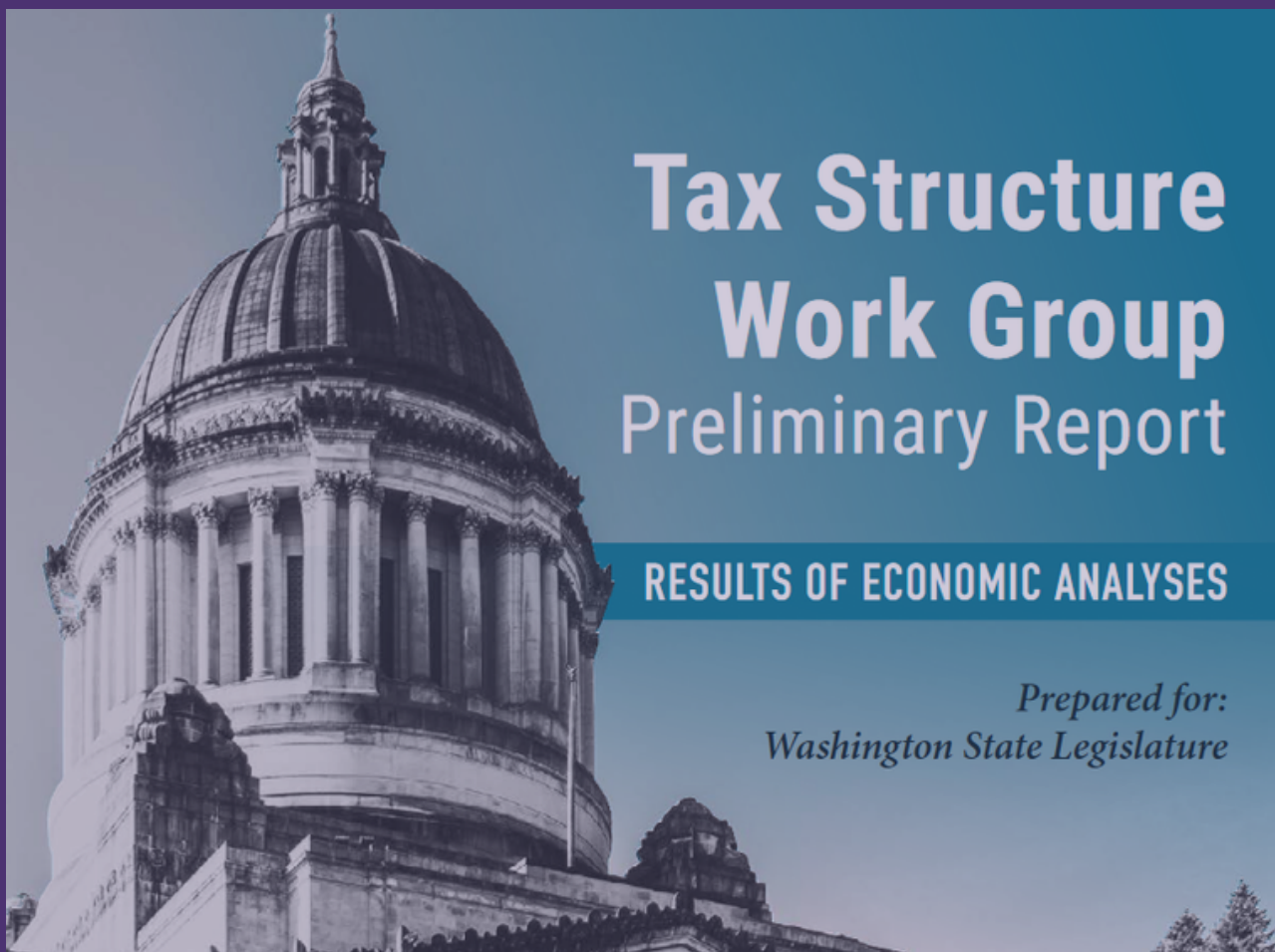


How it works

- Structured like a property tax
- Taxes certain intangible property, such as stocks and bonds (not held in retirement accounts), worth **more than \$1 billion**

TAX STRUCTURE WORKGROUP & TAX TOWNHALLS

Goals of the TSWG are to review the tax system & make suggestions for change



Tax Townhalls

- Opportunity to hear from the public what we think about the current tax system and what we'd like to see changed

- September 22 – November 3

Sign up:

<https://taxworkgroup.org/tax-town-halls>

TSWG

SCENARIOS



SCENARIO A

Property Tax

Change the 1% revenue limitation

- Allows total property tax collections to go up by more than 1% year-over-year
- Property taxes are regressive

SCENARIO B

Wealth Tax

+

↓ Property tax

- Decreases regressive property tax and taxes the intangible wealth (assets like stocks) of billionaires, making this very progressive

SCENARIO C

Employer compensation tax

+

Value added tax on businesses

+

Eliminate B&O tax

- The VAT and employer compensation tax are more progressive than the B&O
- Multiple revenue sources are needed to replace B&O revenue

SCENARIO D

Employer compensation tax

+

Margins tax on businesses

+

Eliminate B&O tax

- The margins (i.e. profits) tax and employer compensation tax are more progressive than the B&O
- Multiple revenue sources are needed to replace B&O revenue

SCENARIO E

Flat rate personal and corporate income tax

+

↓ Property tax

↓ Sales tax

+

Eliminate B&O tax

- Replaces and reduces regressive taxes with an income tax
- More fair system than the status quo for individuals and business

SCENARIO F

Progressive personal and corporate income tax

+

↓ Property tax

↓ Sales tax

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Eliminate B&O tax

- Replaces and reduces regressive taxes with a progressive tax
- Progressive income taxes are among the most fair and sustainable over time

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TAX REFORM BEYOND THE 2022 LEGISLATIVE SESSION

Progressive How much we pay in taxes is based on our capacity to pay

Ample We collect enough revenue to fund public programs and services our communities need to thrive

Sustainable We create a system designed to last



EDUCATION



PUBLIC SPACES



HEALTH &
SERVICES



- Sign up for EOI's e-newsletter at opportunityinstitute.org
- EOI's Changemaker's Dinner is on September 29th

Email any questions or requests:

Carolyn@opportunityinstitute.org

Marilyn@opportunityinstitute.org

Summer@opportunityinstitute.org



Short QnA followed by a short discussion

- Enter your question(s) into the chat
- Raise your hand if you'd like to come onto video /audio to join discussion