HB 1406 SB 5426 Investing in Thriving Communities and Equitable Recovery with a Wealth Tax on the Ultra-Wealthy

As 2021 draws to a close, the COVID-19 pandemic heads into its third year. We face a choice: should we invest in resilient communities and a more equitable economy? Or maintain the status quo and emerge from this pandemic with an even more unequal society than before?

Working people are struggling more and more to make ends meet while the wealthy benefit enormously from the pandemic economy. A recent study showed nineteen percent of households lost all of their savings during the pandemic. Healthcare, housing, childcare and other basic needs are costly and increasingly out of reach. At the same time, billionaires' wealth increased by over a trillion dollars in the first year of the pandemic, and, for the first time, the top 1% now hold more wealth than the entire middle 60% of American households.

- Washington needs to increase investments in K-12 and higher education, childcare, and other core pillars of our economy, but not on the backs of working people through regressive taxes. A tax on the ultra-wealthy (HB 1406/SB 5426) would raise billions of dollars for much-needed public investments. This tax would only affect the wealthiest individuals in society, who currently do not pay their fair share and enjoy effective tax rates below low- and middle-income Washingtonians. Together, we can build a state where all our people and communities thrive.

How Washington's Wealth Tax Would Work

- Works like a **property tax on wealth held by the ultra-wealthy.** Specifically HB 1406/ SB 5426 places **a simple 1% tax on financial intangible property, such as stocks and bonds. The first $1 billion of financial intangible property is exempt.**
- Consistent with the state constitution.
- Wealth is assessed through similar steps as in the state's estate tax. The Department of Revenue handles hundreds of estate tax filings each year.
- **Around 100 people would pay the wealth tax if implemented today.** Enforcement includes auditing taxpayers and fines for undervaluation of property.
- A **state wealth tax would raise around $2.5 billion a year**. As a point of comparison, the state property tax affects millions of Washingtonians and raises $3.6 billion a year
- A tax on the wealth of the ultra-wealthy would bring greater parity to our tax code, which currently taxes real property (such as the home you live in) at 1% each year.

Wealth Tax Quick Facts

- Several state legislatures, such as in California and New York, have introduced and are considering wealth taxes. In Congress, wealth taxes have been introduced in the House and Senate. National and state polling shows that wealth taxes have broad and enthusiastic support from people across the political spectrum. People understand the inherent fairness of taxing billionaires.
- The ultra-wealthy (households worth more than $50 million) hold most of their wealth in stocks, bonds, and mutual funds. Many wealthy individuals take out personal loans, leveraging their financial assets, to get cash flow. As a result, the ultra-wealthy can avoid being taxed on their wealth during their lifetime.
- Some people are worried that the ultra-wealthy might move if we passed a wealth tax. First, research and data from "high tax" states shows that the ultra-wealthy don't move to lower their taxes but are tied to communities. Second, investments made possible by a state wealth tax would have large positive impacts on our economy. For instance, having affordable and accessible childcare in Washington would help our economy enormously.

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