

Weekly Legislative Update: Revenue

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Thank you to all who signed in last week for the wealth tax, HB 1473. What a great response! For a good explanation of what is needed to address the inequities in Washington State's tax structure, see this [newsletter](#) from the [Washington State Budget & Policy Center](#).

Bills Needing Action This Week

HB 1477 Making changes to the working families' tax credit. This bill had a public hearing in the House Finance Committee on January 31 and was referred to the House Appropriations Committee, where it has a public hearing on Monday, February 20 at 1:30 pm.

Please sign in PRO [here](#) before 12:30 pm on Monday.

HB 1644 Concerning the margin tax, is intended to create greater equity in the business and occupation tax structure, and thereby hardships on new businesses, small businesses, and unprofitable and low profit-margin businesses by shifting from the gross-receipts basis to one based on revenue after certain deductions or percentage reduction. It is scheduled for a public hearing in the House Finance Committee at 8:00 am on Monday, February 20.

Please sign in PRO [here](#) before 7:00 am on Monday.

Bills that Have Passed

SJM 8001 Concerning a national infrastructure bank, would request that Congress pass and the President sign federal legislation to create an infrastructure bank. This bill passed the Senate 29-19 on February 8 and has been referred to the House Consumer Protection & Business Committee of the House.

Updates

HB 1473 Investing in Washington families and creating a more fair tax system by enacting a narrowly tailored property tax on extreme wealth derived from the ownership of stocks, bonds, and other financial intangible property. Commonly known as the "wealth tax". This bill is had a public hearing on February 14 but has not been scheduled for executive session yet.

HB 1556/SB 5495, Concerning property tax rebates for homeowners and renters would provide a property tax exemption for qualified taxpayers beginning in January 2027 for the

value of a primary residence up to \$250,000 of assessed valuation. **HB 1556** had a public hearing in the House Finance Committee on February 14 but has not been scheduled for executive session. **SB 5495** had a public hearing on January 24 in the Senate Ways & Means Committee but has not been scheduled for executive session.

HB 1094/SB 5125 Creating the Washington future fund program, is intended to reduce wealth-building barriers to combat persistent poverty and promote economic resilience for Washingtonians by establishing a fund to be invested at birth and support qualifying individuals by making payments on behalf of eligible individuals between 18 and 35 years of age for education, training, and professional development; purchase of a residence; or creation or purchase of a business. The Fund would be managed by the State's investment board and the program would be overseen by an appointed Future Fund committee. **HB 1094** passed the House Human Services, Youth, & Early Learning Committee on January 27 as a substitute and was referred to the House Appropriations Committee but has not been scheduled for public hearing in that committee. **SB 5125** passed the Senate Human Services Committee on January 26 and has been referred to the Ways & Means Committee but has not been scheduled for a public hearing as of this writing.

HB 1265/SB 5302 Establishing a property tax exemption for adult family homes that serve people with intellectual or developmental disabilities and are owned by a nonprofit. **HB 1265** passed the House Finance Committee and is now in the House Rules Committee. **SB 5302** passed the Senate Health & Long-Term Care Committee on January 17 and passed the Senate Human Services Committee on February 7. It has now been referred to the Ways & Means Committee but has not yet been scheduled for public hearing in that committee.

SB 5509 Creating the Washington state public infrastructure bank had a public hearing on January 31 in the Senate Business, Financial Services, Gaming & Trade Committee. Action was taken in executive session on February 16 but the next step was not identified as of this writing.

HB 1371/SB 5494 Providing incentives to improve freight railroad infrastructure. **SB 1371** had a public hearing on January 31 and executive session on February 2 but no action was taken. **SB 5494** had a public hearing in the Senate Business, Financial Services, Gaming & Trade Committee and executive session on February 16, but no action was taken in executive session.

HB 1560 Providing property tax relief by expanding eligibility for the senior citizen and disabled veterans' property tax exemption program. This bill would add 10% to eligibility income, in recognition of recent inflation. It had a public hearing in the House Finance Committee on February 7. Executive session has not been scheduled.

HB 1000 Providing sales tax relief by expanding the working families' tax credit. This bill had a public hearing in the House Finance Committee on January 31. No executive session has been scheduled.

HB 1075/SB 5249 Expanding eligibility for the working families' tax credit to everyone age 18 and older. **HB 1075** passed the House Finance Committee on February 9, and is now in the House Appropriations Committee but has not been scheduled for a public hearing as of this

writing. **SB 5249** had a public hearing on January 19 in the Senate Ways & Means Committee but has not proceeded further since then.

[HB 1045](#) Creating the evergreen basic income pilot program, would establish a pilot project to test the feasibility of a basic income program in Washington State. The pilot would provide a cash benefit to the participants equal to the monthly rent of an average two-bedroom housing unit in the county of residence. This project benefit would not supplant existing benefits. There are a number of eligibility requirements. The proposal stems from a DSHS feasibility study that was completed in June 2022. This bill passed the House Human Services, Youth & Early Learning Committee on January 24 and was referred to the House Appropriations Committee. It has not been scheduled for public hearing in that committee.

[HB 1052](#) Providing a property tax exemption for qualified real and personal property owned or used by a nonprofit entity in providing qualified housing funded in whole or part through a local real estate excise tax. This bill would create a financial incentive to nonprofit organizations that provide affordable housing. This bill had a public hearing in the House Finance Committee on January 17 and was passed in executive session on February 16 but the next assignment was not identified as of this writing.

[SB 5482](#) Concerning the margin tax (companion bill to HB 1644 above). This bill is intended to create greater equity in the business and occupation tax structure, and thereby hardships on new businesses, small businesses, and unprofitable and low profit-margin businesses by shifting from the gross-receipts basis to one based on revenue after certain deductions or percentage reduction. This bill was one of the recommendations from the Tax Structure Work Group. This bill had a public hearing on January 26 but has not yet been scheduled for executive session.

FAQs about the Proposed Wealth Tax

The following information about this little-understood wealth tax was prepared by the [Economic Opportunity Institute](#). This pertains to SB 5486 and HB 1473. This is background for the public hearing scheduled for Tuesday, February 14.

FAQ

How does the tax work?

The state wealth tax would collect a 1% property tax from multi-millionaires and billionaires, by taxing wealth held in stocks, bonds, and other financial intangible property that currently remains untaxed by Washington's revenue system. Only those fortunate enough to have over \$250 million in financial wealth and assets would ever pay. Meaning, the state wealth tax will impact only a few hundred taxpayers - fewer than 0.01 percent of Washingtonians.

How much revenue would the wealth tax generate?

The wealth tax would raise billions of dollars each year from the very wealthiest Washingtonians. That's money that could fund programs like tuition-free public college, free childcare, and free lunches for all public school students. Each year we don't pass this tax this

year, we're leaving billions of dollars on the table. It's long past time that we set our system right by passing a state wealth tax.

Who would pay?

Only the wealthiest in our state - fewer than 0.01 percent of Washingtonians - would ever pay. We're talking private-jet-level wealth here; successful tech professionals and even pro athletes wouldn't qualify. But with a small number of extremely rich people paying a little more, we could do so much. If we don't pass this tax this year, we're leaving billions of dollars on the table. That's money that could fund programs like tuition-free public college, free childcare, and free lunches for all public school students.

Won't wealthy people just move?

Most billionaires are rooted in the communities where they found success. According to a study by Cornell sociologist Cristobal Young, of those who live outside their country of birth, nearly two thirds moved as children (30%) or for education and early professional reasons (30%). Only one third moved after they had achieved financial success. This research points to the multiplier effects of using public revenue to fund the things that make communities desirable to move to and stay in: good schools and universities, social services, parks, and clean water and air (and of course, much more). In addition to Prof. Young's work, a study of changes in wealth-tax rates in Switzerland showed that the wealthy did not move to nearby cantons (small states within Switzerland) with lower wealth tax rates, but rather some changed their investment behavior for more favorable tax treatment. We can expect the ultra-wealthy to try and minimize their tax bill; these behavioral changes are taken into account in the Department's fiscal modeling of the tax policy.

Is the wealth tax an income tax? Is it unconstitutional?

The Washington State Wealth Tax is a tax on financial intangible property, not on income; wealth and income are different in that wealth is something that is held and income is something that arises from a transaction such as selling one's labor. The Washington state constitution calls for taxing property within a single class "uniformly" and at a maximum rate of 1% based on its assessed value. In addition to these constraints, the constitution also provides for legislative authority to exempt property from taxation. Specifically, article 7, section 1 of the Washington Constitution provides that "[s]uch property as the legislature may by general laws provide shall be exempt from taxation." The Wealth Tax is structured as a 1% tax on the entire class of financial intangible property wherein the legislature exempts the first \$250 million in value from the tax. In this way the policy abides by the constitutional constraints on property tax (uniformity and 1% rule) and calls on the legislature's power to exempt property from taxation as delineated in the State Constitution.

How is this different than the capital gains tax and other property taxes?

Real property, such as your home, is taxed on its assessed value annually. When real property is sold, it is taxed via the real estate excise tax. In contrast, financial intangible property is not taxed annually like real property. Financial assets are only taxed when they are sold and when the annual profits from such sales exceed \$250,000 via the recently passed excise tax on capital gains. Passing a wealth tax will mean that both real and intangible property is taxed annually on

its assessed value and when sold. However, unlike the real property tax, the state wealth tax features a large (\$250 million) exemption such that 99.99% of Washingtonians are always exempted from paying.

How You Can Be Involved

- Respond to Action Alerts in the legislative newsletter. These will primarily appear in the section of the newsletter related to revenue.
- Contact Cynthia Stewart, Revenue Issue Chair, cstewart@lwvwa.org to receive additional information.