

Weekly Legislative Update: Revenue

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Bills Needing Action This Week

No bills that we are following in the Revenue category are scheduled for public hearing in the week ahead. However, there will be public hearings on a number of other bills that have passed out of policy committees and have been referred to House and Senate financial committees. Please check updates on other issues to determine whether there are bills of interest to you that have public hearings scheduled.

Status of Bills in Last Week's Public Hearings

Thank you to everyone who signed in PRO for these bills last week. Here are updates on those.

[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. This bill passed the Senate Health & Long-Term Care Committee and had a public hearing in the Senate Human Services Committee on January 30 and is scheduled for executive session on Tuesday, February 7.

[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 and is scheduled for executive session on Tuesday, February 7.

[HB 1371](#) Providing incentives to improve freight railroad infrastructure had a public hearing on January 31 but no executive session has been scheduled.

The following three bills make changes to the Working Families Tax Credit, expanding the population served and in the case of HB 1477 adding a reporting requirement to evaluate the program. The Working Families Tax Credit helps to reduce the impact of the state's very regressive tax structure on the lowest-income people of Washington. They had public hearings on January 31 in the House Finance Committee and are scheduled for executive session on February 9.

[HB 1000](#) Providing sales tax relief by expanding the working families' tax credit.

HB 1075 Expanding eligibility for the working families' tax credit to everyone age 18 and older.

HB 1477 Making changes to the working families' tax credit.

Other Updates

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 Business, Financial Services, Gaming & Trade Committee on January 24 with a Do Pass recommendation and is now in the Rules Committee, where it is listed for second reading.

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 had a public hearing on January 11 and in executive session on January 24 was referred as a substitute bill with a Do Pass recommendation to the House Appropriations Committee.

HB 1094 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. This bill had a public hearing in the House Human Services, Youth, & Early Learning Committee on January 18 and in executive session on January 27. It has been referred as a Substitute bill with a Do Pass recommendation to the House Appropriations 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 but has not been scheduled yet for executive session.

SB 5482 Concerning the margin tax. 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.

[SB 5249](#) Expanding eligibility for the working families' tax credit to everyone age 18 and older. This bill would expand eligibility to people from ages 25 to 65 to 18 and older. The bill had a public hearing in the Senate Ways & Means Committee but has not been scheduled for public hearing.

[SB 5495](#) Concerning property tax rebates for homeowners and renters, would create a new Title in the RCW pertaining to rebates for primary residence owners and portions of payments in rent attributable to property tax. This bill had a public hearing on January 24 in the Senate Ways & Means Committee but has not 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 a public hearing which is anticipated later this month. The policy bills cut-off in house of origin is February 17, but revenue bills can be considered in the house of origin until February 24.

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.