



2023 Issue Paper: Adequate and Fair Revenue

Position Statement

The LWV of the United States, as stated in its [Impact on Issues 2020-22](#), believes that “federal fiscal policy should provide for: adequate and flexible funding of federal government programs through an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax; responsible deficit policies; and a federal role in providing mandatory, universal, old-age, survivors, disability, and health insurance.”

The LWV of Washington’s State Tax Policy, as defined in the [Program in Action 2021-2023](#), states: “Action to obtain a balanced tax structure that is fair, adequate, flexible, and has a sound economic effect.” More specifically, the LWVWA’s position states:

- Inequities in the distribution of the tax burden should be removed. Ability to pay is an important criterion. Flexibility and recognition of changing times and needs is important in tax policy. Only broad general principles of taxation should be included in the constitution. Income should be part of the tax base preferably through a graduated net income tax. The sales tax should not be levied on food. Business should be taxed on net income rather than gross receipts. (TS-1)
- Any tax exemption proposal should be carefully evaluated for purpose, benefit and cost; and, all tax exemptions should be periodically reviewed. (TE-1)

Another position that will be in play in 2022 that relates to the proposed public bank is a section of the privatization position:

- Core services, functions and assets critical to the well-being of the people, should remain with government and not be transferred to the private sector. Public agencies are required to make a documented finding of adequate return on investment for the public for any government contribution of funds or assets to the private sector. (PR-1)

The criteria listed in this position for deciding whether services, functions, and assets should be transferred to the private sector are whether the act of privatization would:

1. Serve the public interest today as well as for future generations.
2. Align with public health and safety concerns.
3. Assure quality of life for residents in the region.
4. Ensure adequate government control and oversight including performance audits.
5. Include provisions for transparency, public involvement and competitive bidding
6. Protect individuals from abuse. (PR-1)

Summary of Issues for the 2023 Legislative Session

Tax reform

For many years the State of Washington has had the most regressive tax structure in the United States. Lowest income taxpayers in Washington pay 17.8% of their income in sales and property taxes, while those at the top 1% of the income spectrum pay only 3% of their income in taxes. Because the state has had no income tax or capital gains tax, each additional measure that adds property tax (including that

paid by renters through their rent) or sales tax increases this disparity. Forty-six percent of the state budget has been generated by retail sales tax. When taxes increase, those at the lower end of the income spectrum pay even more of their income in tax. The current tax structure also penalizes racial minorities more than White people. That is because native American, Black, and Hispanic households are more likely to be in the lowest income group.

In 2021, the legislature passed two measures that in combination were intended to address these inequities if legal challenges against them are unsuccessful. The first is a capital gains tax of 7% on capital gains exceeding \$250,000 that was to begin on January 1, 2022. There is a long list of exemptions from this tax that assure it will only apply to the highest income individuals. The second is a working families tax credit, which will provide payments ranging from \$300 to \$1,200 to low-to-moderate income individuals who meet certain eligibility requirements, beginning in 2023.

The capital gains tax was not initiated as planned because of a lawsuit. It is currently scheduled to be heard by the Washington State Supreme Court on January 26, 2023.

Meanwhile, a state Tax Structure Work Group including legislators and others has been meeting for the last two years and is examining a wide range of options for tax reform. The Group will vote on their final recommendations at their December 2022 meeting and those will be presented to the 2023 legislature. As of that group's November meeting, the preliminary recommendations for restructuring the state's tax system include a margin tax to replace the current B&O tax system; expansion of the limit applied to property tax increases at the local level (but not for the state); and continued modifications of the working families tax exemption. The Group did not approve the estate tax for recommendation to the Legislature, but others, such as the [Balance Our Tax Code](#) coalition, to which LWVWA belongs, will be promoting that tax as well.

The League will watch for and support legislation that would make our tax system less regressive, close loopholes that do not clearly benefit the people of Washington State, make tax breaks given to businesses transparent to the public, make the business and occupation (B&O) taxes less onerous on small businesses, and continue to fund the already approved Working Families Tax Rebate program as well as support other options consistent with the League's position.

The League will oppose legislative proposals that reduce or eliminate programs that protect democracy, regulate pollution, protect public health, safeguard natural resources and the environment or protect the future against inevitable economic downturns as a means to balance the budget or would change Washington's Constitution to require a two-thirds vote to raise taxes or fees thereby empowering one-third of legislators to stop any proposals.

Public Bank

An issue carried over from the 2021 and 2022 legislative sessions that the League will support is the proposal to establish a public bank. This has been proposed previously but experienced greater momentum in the last biennium than previously. The legislature is expected to continue deliberating on the public bank proposal (SB 5188 in the last biennium) and will hopefully pass it in 2023.

The League supports a public bank pursuant to the privatization fiscal policy position. A public bank would leverage state funds, generating higher returns and decreasing expenses, and through normal banking operations would generate ever increasing public funding without the need for additional appropriations when the state is at or near its constitutional debt limit.

Specific proposals that the League would support include those that would require the bank to be owned by the state or by the state and local governments jointly, receive state and local government tax revenues and use them as the basis for lending in support of state and local government financing needs (potentially infrastructure, housing, student loans, economic development), and return profits from the bank's financing operations to its governmental owners.

Issue Chairs:

Revenue: Cynthia Stewart, stewdahl@comcast.net

Public Bank: Stoney Bird, sbird@lwvwa.org