



## 2024 Issue Paper: Adequate and Fair Revenue

### Position Statement

The LWV of the United States, as stated in its [Impact on Issues 2022-2024](#), 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 2024 that relates to the proposed public bank is a section of the LWVWA 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 2024 Legislative Session

### Background

Regressive Tax Structure. For many years the State of Washington has had the most regressive tax structure in the United States. Lowest income taxpayers in Washington have been paying 17.8% of their income in sales and property taxes, while those at the top 1% of the income spectrum have been paying only 3% of their income in taxes. Because until recently 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 has increased 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.

Beneficial Taxes Passed, effective 2023. In 2021, the legislature passed two measures that in combination were intended to address these inequities. The first is a capital gains tax of 7% on capital gains exceeding \$250,000 that began 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. This tax was approved by the state Supreme Court and the estimated collection in 2023, its first year, is \$846 million. The tax was set up to contribute the first \$500 million to the state's Education Legacy Trust Fund, which is described in statute as only for "common schools, and for expanding access to higher education through funding for new enrollments and financial aid, early learning and childcare programs, and other educational improvement efforts". While this will offset some of the need for funding education from the general fund, it will not offset the other costs for which funding is needed.

The second is a working families tax credit, which will have provided payments ranging from \$300 to \$1,200 to low-to-moderate income individuals who meet certain eligibility requirements, beginning in 2023. It is estimated that this will cost \$483 million in the 2023-25 biennium. According to the Department of Revenue, it has already benefited 154,000 individuals and families.

An additional source of income to the state which is intended to improve the state's greenhouse gas emissions is the Climate Commitment Act's cap-and-invest fund, which has raised \$1.3 billion in three quarterly emissions allowance auctions. To date, the largest share of this revenue is projected for clean transportation (transportation is the largest single source of greenhouse gas emissions in Washington state), with additional funding allocated for environmental justice, climate resilience strategies, clean energy and more. This tax is being challenged, with the attribution of higher fuel costs to this tax; but if the tax is reduced or removed, these climate mitigation programs would have to be funded from the General Fund, which does not have the resources for this added burden.

## **2024 League Agenda**

Other taxes that could have better balanced the state tax code were not passed in 2023 and are also not likely to pass in 2024; but the League and others will continue to support them in hopes of achieving a fairer tax structure in future years. These include a Wealth tax, that could generate \$3 billion annually from only one tenth of one percent of the population paying only one percent on financial assets that exceed \$250 million.

It is important to recognize that there are many needs that remain unfunded or under-funded, including affordable housing, health care, food support, and more. The League will support the Wealth tax proposal and other taxes that would make the state's tax structure less regressive, close loop holds that do not benefit the people of Washington, and that make tax breaks given to businesses transparent to the public.

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 several prior legislative sessions that the League will continue to 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 2021-2022 biennium), although the bill introduced in 2023 did not progress.

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.

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