



LEAGUE OF WOMEN VOTERS® OF WASHINGTON

Empowering all Washingtonians to engage in a more responsible and responsive democracy

2018 ISSUE PAPER – FAIR & ADEQUATE REVENUE

Position statement:

TS1: “Inequalities 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.”

Summary of Issues for the 2018 Legislative Session

1. We are supporting legislation that will raise “fair” (not regressive) revenue taking “ability to pay” as an important criterion.
 - proposals to tax high end services like insurance, legal and financial transactions
 - proposals for graduated taxes on net income that include wages and capital gains
 - proposals to close tax loopholes and
 - proposals asking for transparency in awarding tax breaks
2. We are questioning legislation that depends on “unfair” taxes or increases our debt load
 - proposals that add to the overreliance on regressive taxes such as sales, gas, and fees for services, tolls, entrance fees.
 - proposals that increase our state debt load to unsustainable levels. The more debt payments the less money available in the general operating budget that funds education, environmental protections, democracy and other League supported programs.
3. We are opposing legislation that tries to balance the budget by selling off valuable state assets, privatizing state services, while at the same time awarding tax exemptions to wealth.
 - proposals to eliminate programs that protect democracy, regulate pollution, protect public health, safeguard natural resources or protect the future against economic downturns such as the rainy-day fund.
 - proposals for constitutional amendments requiring 2/3 votes to raise taxes or fees

Background Information

Recessions are the Standard, not the Exception: Washington State has experienced 12 recessions since statehood in 1889. Recessions increase economic inequalities—those with means are able to capitalize on low interest rates and low land prices to increase their wealth, while those already struggling may be further pushed down by loss of employment. In 2008, we had one of the worst economic recessions in our State’s history. The result was large revenue losses, e.g. sales tax, to the government in a time of high unemployment.

To balance the budget (required by the Constitution), the Washington Legislature implemented significant budget cuts to many programs and services designed to help the very people impacted by severe recessions. The state also asked for sacrifices from those still employed such as delayed wage-increases for teachers and government employees, to help cover losses.

Good news: The economy began to improve in some geographic areas like greater Seattle Unemployment dropped. The new growth is adding tax money due to the current construction boom in greater Seattle and will eventually add revenue as more high-end wage earners start to spend. Minimum wages are going up in some areas.

Bad News: Many more people in the state, including greater Seattle, continue experiencing declining wages especially in the large service sector where restaurant, retail, bank teller and nursing home jobs reside. Wage loss coupled with escalating costs for rent, higher education, and debt repayment mean less disposable income and less revenue for the state from sales taxes (which provide 50% of the revenue for the state general fund). Reticence to raise taxes in the legislature is making it difficult to fully fund public education, to adequately provide services for the mentally ill and homeless living on our streets or to plan for future impacts of climate change such as water shortages, forest fires, heavy rains and droughts.

TAX FAIRNESS

Washington has the most regressive tax structure of all 50 states. (Disproportionately taxes income from wage compared to income from investment and capital gains.) It is due in part to our State's over reliance on regressive revenue sources like the sales, gas, lottery, and "sin taxes" e.g., alcohol/marijuana, and cigarette taxes. These types of taxes fall disproportionately on middle/low-wage people and the unemployed. At the same time, we are awarding more and more tax exemptions to special interests and wealth. Washington State is one of eight states nationwide that does not tax income.

There is an increasing tax fatigue from many people who feel overtaxed. People are burdened with spiraling costs of living and suffering from stagnant incomes. In addition, individuals are now paying the costs that our state government used to pay be it education tuition, bridge tolls, or park fees. At the same time, the legislature continues to hand out tax exemptions to large corporations thus transferring the cost of government on to the small business owners and the individual tax payer.

INADEQUATE REVENUE

We have recovered from the recession, but wages are stagnant and wealthy people are investing the bulk of their earnings and spending their money on nontaxable services such as health care, education, accountants, tax advisors, lawyers, investment advisors, personal services, travel abroad.

We now have more people, less revenue per person. We are not keeping up with the cost of services to run the state. We have inadequate revenue:

- to fully fund constitutionally mandated public education for our children. (Waiting on a Supreme Court decision subsequent to the 2018 budget approved last session.)
- to safeguard democracy, to provide basic needs for mental health, to protect our parks, shorelines, forests, rivers, lakes, and wildlife, to protect against climate change,
- to provide basic needs for those left behind from the last recession or safety net for the next.

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