

2024 Legislative Session Summary: Revenue

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Some of the legislation that the League supports because it would shift the tax structure to a more equitable form, such as the wealth tax that would bring in millions of dollars of revenue from a very small group of taxpayers, is also supported by multiple coalitions League belongs to but nevertheless did not move forward in the 2024 session. Those bills are listed here anyway because of work behind the scenes to try and get them passed and because some may take multiple years of work to progress.

2024 is an election year, which means that lawmakers are loathe to pass new taxes, even though the revenue is badly needed. Additionally, the Initiative to eliminate the capital gains tax, which received more than enough signatures to be validated, raised more concerns than normal, about the public response to new taxes, even though the public at large would benefit from progressive revenue bills. Hence, most of the bills League has supported have died by the fiscal committee cut-off of February 5.

It is possible that in the budget process some of these will be reconsidered but not likely.

Bills We Support

HB 1371 Providing incentives to improve freight railroad infrastructure. This bill passed the House in 2023 but was stopped in the Senate before it reached the floor. It was sent back to the House Rules Committee and could be pulled for floor action at any time.

Bills That Have Died

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 ended in the House Appropriations Committee in 2023 and a public hearing in that committee was held on January 11 this year; but no executive session has yet been scheduled. Given the deadline of February 5 for cutoff from the Appropriations Committee, this bill has died.

HB 1075/SB 5249 Expanding eligibility for the working families' tax credit to everyone age 18 and older. These bills would change the minimum age requirement for individuals with no

qualifying children from 25 to 18 for purposes of the Working Families Tax Credit. Both bills were held over from 2023. **HB 1075** had a public hearing on January 25 in the House Appropriations Committee but was not scheduled for executive session so has died. **SB 5249** has not had any movement in 2024.

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. Both bills have been carried over from 2023 but neither has yet been scheduled for the next step forward in 2024 and have died.

HB 1473/SB 5486 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". HB 1473, with 43 sponsors, and SB 5486, with 19 sponsors, did not move in either chamber in 2023 and have not been scheduled for public hearings in 2024. They have therefore died.

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. These bills have been held over from 2023 but have not been scheduled for next steps in 2024 and have therefore died.

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. This bill was held over from 2023 but to date has not been scheduled for consideration further in 2024 and therefore has died.

HB 1644/SB 5482 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. This bill was one of the recommendations from the Tax Structure Work Group. These bills were held over from 2023 but to date has not been scheduled for consideration further in 2024 and therefore have died.

HB 1716 Supporting employers providing childcare assistance to employees by establishing a business and occupation tax credit for businesses and requiring the department of revenue to provide a report to the legislature. This bill would establish a business and occupation tax credit for businesses that provide childcare assistance to employees and require the Department of Revenue to provide a report to the Legislature on the potential cost of the credit as well as an implementation plan for the administration of the credit. This bill had a public hearing in the House Finance Committee on January 23 but has not been scheduled for executive session and therefore has died.

HB 2276/SB 6191 Increasing the supply of affordable and workforce housing. This bill would establish new permanent funding for affordable housing. It would:

- Increase the "ceiling" for the Tier 1 1.1 percent state real estate excise (REET) from \$525, 000 to \$750, 000 beginning January 1, 2025
- Impose a new Real Estate Transfer tax (RETT) of 1% on the value of the selling price over \$3.025 million
- Direct the RETT revenue to be divided between accounts currently receiving REET moneys and the Washington Housing Trust Fund, Apple Health and Homes Account, the Affordable Housing for All Account, the new Developmental Disabilities Housing and Services Account, and the new Housing Stability Account.
- Create a REET exemption for certain sales or transfers of properties that qualify for a property tax exemption that will be used for a community purpose.

New in 2024, HB 2276, with 40 co-sponsors, had a public hearing on January 18 in the House Finance Committee but was not scheduled for executive session. SB 6191 had a public hearing on January 25 in the Senate Ways & Means Committee but was not scheduled for executive session. Both bills have died.

HJR 4204/SJR 8205 Authorizing investment of funds held for the purpose of reducing persistent poverty. This resolution would amend the State Constitution to authorize investment of state funds held for the purpose of reducing persistent poverty. Because the state Constitution prohibits the state from being interested in the stock, bonds, or credit instruments of any company, association, or corporation, and this provision has been interpreted to mean that the state cannot place any investment funds in stock and other equities, certain state funds have been exempted from this provision by amendment of the Constitution. Examples are public pension and retirement funds. This will allow a fund to be established that can be invested for future use to address homelessness and poverty. These bills were held over from 2023 but were not scheduled in 2024 to move forward so have died.

HJR 4205/SJR 8206 Concerning property tax rebates, would amend the Washington State Constitution to authorize a primary residence property tax exemption and renter's credit refund. It also removes uniformity requirement for taxes and the requirement that all real estate constitute one class of property. These bills were held over from 2023 but were not scheduled in 2024 to move forward so have died.

SB 5494 companion bill to **HB 1371 Providing incentives to improve freight railroad infrastructure,** was carried over from 2023. It had passed as a substitute bill from the Senate Business, Financial Services, Gaming & Trade Committee and was referred to the Senate Ways & Means Committee but was not scheduled for public hearing in that committee so has died.

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. It was held over from 2023 but was not scheduled in 2024 to move forward so has died.

SB 5770 Providing state and local property tax reform. This bill would allow local governments, but not the state, to increase their total annual property taxes by inflation up to 3% annually if adopted by ordinance in the local jurisdiction. Cities and especially counties have been challenged by the 1% growth cap on property tax that was enacted many years ago because the increased cost of doing business is generally closer to 3% annually. This bill had a public hearing in the Senate Ways and Means Committee on January 18 but has not yet been scheduled for executive session so has died.

SB 6038 Reducing the costs associated with providing childcare. This bill would reduce the costs associated with providing childcare by expanding the business and occupation tax exemption for childcare services to include income derived from the care and education of children up to age 12. It had a public hearing in the Senate Ways & Means Committee on, January 25 but was not scheduled for executive session so has died.

FAQs about the Proposed Wealth Tax

The following information about the proposed wealth tax was prepared by the **Economic Opportunity Institute**. This pertains to SB 5486 and HB 1473 and is presented here because it is a high priority for League but is not well understood.

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.

Resources

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](#).

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 to receive additional information.