

## Appendix B: Washington State Tax History

<b>Early Taxes</b>	
<b>1853</b>	Property tax: required that all taxes be assessed equally Poll Tax: levied on all adult males
<b>1889</b>	State constitution required that all taxes be levied uniformly on all property in accordance with its monetary value. The legislature granted authority for exemptions.
<b>1891</b>	2% Insurance premium tax adopted
<b>1901</b>	Inheritance tax established
<b>1921</b>	Gasoline tax imposed at 1 cent per gallon
<b>Tax Commissions</b>	
<b>1921</b>	Recommended re-establishment of the Tax Commission and administrative changes to property and inheritance taxes
<b>1929</b>	Recommended graduated individual income tax and single rate corporate net income tax to reduce state's reliance on property tax
<b>Early income tax attempts</b>	
<b>1929</b>	Legislature approved a net income tax of 5% on financial institutions. The court overturned it on grounds of equal protection: the tax did not apply to noncorporate banks, and interest paid by banks was deductible, but not savings and loans dividends.
<b>1930</b>	Voters approved 14 <sup>th</sup> amendment to the constitution, allowing classification of property. Intended to permit taxation of income at a rate different from real estate. The court ruled against the amendment.
<b>1931</b>	Recommended by the Tax Commission, the legislature adopted a personal income tax with rates from 1% to 5%, and corporate net income tax rate of 5%. The Governor vetoed.
<b>1932</b>	Personal and corporate net income tax, with rates of 1% to 7%, was adopted by initiative with a 70% voter margin. It was overturned by the court in a 5-4 decision in <i>Culliton v. Chase</i> , declaring that income was property and thus subject to the uniformity requirement in the constitution.
<b>Excise Tax era</b>	
<b>1932</b>	Voters approved by initiative, a 40mill limit on property levies, and a 5mill limit on a state levy. (This was reduced to 2mills in 1934). This represented nearly a 50% reduction in total property taxes.
<b>1932</b>	Occupation tax levied on gross receipts of business activity, ranging from 0.2% to 3.0%. The court held that this tax was an Excise tax rather than a tax on income from doing business.
<b>1935</b>	Revenue Act of 1935, along with several taxes that were ruled unconstitutional or vetoed, established many of the state's tax revenue sources we have today. It established the retail sales tax, the B&O tax, public utility tax, cigarette tax, liquor tax, conveyance tax (included with real estate tax in 1987), and the admissions tax (given to local governments in 1943).
<b>1937</b>	Motor vehicle excise tax (MVET) was established in lieu of vehicles being assessed as personal property.
<b>1944</b>	Voters approved the 17 <sup>th</sup> amendment, requiring a 40mill property tax limit, the 60% approval of levies, and assessment at 50% of market value. The 18 <sup>th</sup> amendment, earmarking gas tax for highways, was also adopted.

<b>1951</b>	Legislature approved a tax upon the privilege of exercising corporate franchise, measured by net income. It was ruled unconstitutional by the court for non-uniformity, since noncorporate firms were not taxed. The real estate excise tax was established at the county level, with revenues dedicated to local schools. (Shifted to the state in 1981.)
<b>1959</b>	B&O taxes were extended to the rental of real property. Declared unconstitutional on grounds of double taxation.
<b>More income tax attempts</b>	
<b>1970</b>	HJR 42, which included single-rate personal and corporate net income tax of 3.5%, with reductions in existing taxes, was defeated by a 2 to 1 margin by voters.
<b>1973</b>	HJR 37, which spoke to a graduated 2 to 6.5% personal and a 10% corporate net income tax, with limits and reductions in existing taxes, was defeated by voters by a 3 to 1 margin.
<b>1975</b>	Initiative 314, setting a corporate income tax rate of 12%, was defeated by a 2 to 1 margin by voters.
<b>1982</b>	Initiative 435, proposing a corporate new income tax on 105, was defeated by a 2 to 1 margin.
<b>Property and excise tax changes</b>	
<b>1966</b>	Voters approved the 47 <sup>th</sup> amendment to the constitution. It allowed property tax exemptions for retired and disabled homeowners, based on income.
<b>1967</b>	Hotel/motel tax established: allowed King County to receive 2.0% of the state and 4.5% sales tax on lodging facilities for its stadium construction.
<b>1968</b>	Voters approved the 53 <sup>rd</sup> amendment, permitting property tax on open space, timber and farmland based on its current use rather than on highest and best use.
<b>1970</b>	Local sales tax of 0.5% authorized for cities and counties
<b>1971</b>	Local sales tax of 0.3% for transit districts authorized
<b>1972</b>	Voters approved constitutional amendment limiting regular property tax levies to 1.0% of fair market value. Timber excise tax was levied on stumpage value of the harvest. Economic assistance authority legislation established sales tax deferrals for manufacturing plant construction and equipment. (This program was terminated, due to the 1981-82 recession.)
<b>1974</b>	Limits on increasing regular levy revenues of local taxing districts was set at 6% per year, and extended the state levy in 1979. Credit against B&O taxes for personal property tax paid on business inventories was established, with a total exemption in 1984.
<b>1975</b>	Property tax levies shifted from millage to \$/\$1000. The statute set a maximum for regular levies of \$9.15, including a new state levy of \$3.60.
<b>1977</b>	Voters approved Initiative 345 exempting food for off-premise consumption from sales tax. The court decided that the state was to provide full funding of basic education; restriction on local maintenance and operations school levies.
<b>1979</b>	Voters approved Initiative 62 limiting increases in state expenditures to growth rate of personal income.
<b>1981</b>	Voters approved Initiative 402 repealing inheritance and gift taxes.

<b>1982</b>	Sales tax re-imposed on food for 14 months. Local option sales tax of 0.5% authorized for cities and counties. Tax on hotel/motel accommodations in King County approved, to fund convention center.
<b>1984</b>	Voters approved Initiative 464 that exempted the value of trade-ins from sales tax.
<b>1985</b>	Sales tax deferral program re-established for new/expanded manufacturing and Research & Development firms.
<b>1987</b>	US Supreme Court ruled B&O taxes on certain interstate transactions to be unconstitutional. Multiple activities exemption was repealed and credits provided for B&O taxes paid outside Washington for instate manufacturing against selling instate.
<b>1983</b>	The federal government remits to the state, a percentage of monies from the sales of timber and forest products from military installations. The revenue goes 50% to public schools, and 50% to public roads.
<b>1984</b>	Repealed the way state paid for upkeep of reforested land and replaced it with a surcharge on the reforested land. They are now subject to the Timber Excise Tax.
<b>1993</b>	Initiative 601 passed. This measure captured spending of revenue received by the state, also setting up a state emergency fund. This fund was restricted to a 2/3 positive vote by the legislature before it could be assessed. The spending portion was based on a projected population increase or decrease in the four years immediately preceding the spending of the revenue.
<b>1994</b>	Referendum 43 passed by voters, adding 7.5 cents to the cost of a package of cigarettes (a "sin" tax). The funds generated were to fight juvenile violence, and to create a match for federal funds.
<b>1999</b>	Voters overwhelmingly passed I-695, which removed the motor vehicle excise tax and lowered vehicle license fees to \$30.00 per vehicle, with some exceptions. I-695 also provided that future taxes be approved by the voters.
<b>2000</b>	I-695 declared unconstitutional on grounds of multiple subjects included in initiative. Legislature passes law to keep the \$30.00 per vehicle portion of the original initiative.
<b>2000</b>	Initiative 722 passed, which limited property tax growth to 2 percent a year and repealed some tax and fee increases.
<b>2001</b>	I-722 declared unconstitutional on grounds of multiple subjects included in initiative.
<b>2001</b>	Initiative 747 passed and limits a taxing districts revenue increase from property taxes to 1% annually.