

2020 ISSUE PAPER: ADEQUATE AND FAIR REVENUE

Position Statement

The LWVUS position on fiscal policy as stated in Impact on Issues is as follows: “The League of Women Voters of the United States 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 LWVWA summary position as stated in Program in Action is “Action to obtain a balanced tax structure that is fair, adequate, flexible, and has a sound economic effect.” More specifically, LWVWA states, “TS-1: 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; and General Tax Exemptions (2005): The League of Women Voters of Washington believes that: TE-1: Any tax exemption proposal should be carefully evaluated for purpose, benefit and cost; and, all tax exemptions should be periodically reviewed.”

Summary of Issues for the 2020 Legislative Session

The State of Washington has the most regressive tax structure in the United States. Lower 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 no income tax or capital gains tax, each additional measure that adds property tax (paid by renters through their rent) or sales tax increases this disparity. Forty-six percent of the state budget is generated by retail sales tax. When taxes are increased, those at the lower end of the income spectrum pay even more of their income in tax. In addition, the current tax structure penalizes racial minorities even more than white people. That is because native American, Black and Hispanic households are more likely to be in the lowest income group.

In 2019, a capital gains tax was proposed but did not pass. Had it passed, it would have tipped the imbalance more toward equality by creating a revenue source paid only by the highest income groups. Had it passed, it would have raised an estimated \$975 million in Fiscal Year 2021 from 42,000 taxpayers, approximately the top 1.5 percent of households and sales of homes, IRAs and other necessary investments would have been excluded.

In the upcoming 2020 short second session of the biennium, the legislature is not expected to consider the capital gains tax again. It is unlikely that any major change in tax policy will be addressed. However, should new proposals arise, the League will support legislation that would:

- tax capital gains thereby making our tax system less regressive
- close tax loopholes that do not clearly benefit the people of WA state
- make tax breaks given to businesses transparent to the public
- make the business and occupation (B&O) taxes less onerous on small businesses
- fund the already approved Working Families Tax Rebate program

And 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
- would change the WA State Constitution to require 2/3 votes to raise taxes or fees thereby empowering 1/3 of legislators to stop any proposals

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