

Investing in a Strong Economy

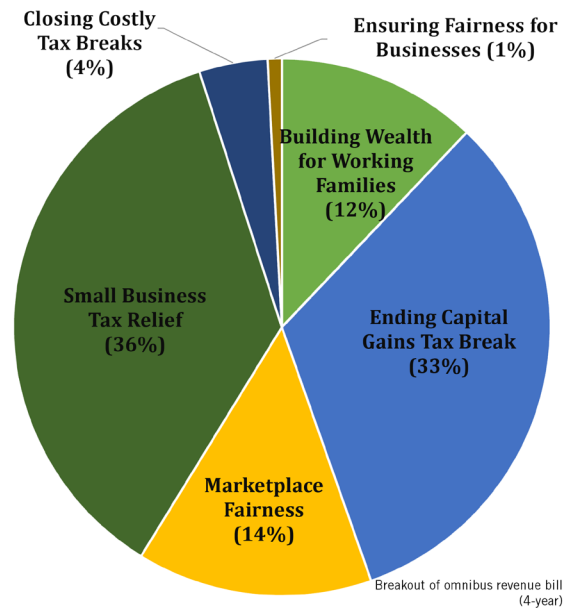
The path to rebuilding a strong middle class and prosperity for all Washingtonians.

Washington is a great place to live, work, and raise a family. It also has **the most upside down tax system in the country**. Middle class families pay more than double to nearly four times as much in taxes as a percentage of personal income compared to the top earners; for low-income earners it's seven times more than the wealthiest among us. A janitorial staffer could pay up to 686 percent more in taxes as a share of his income as the CEO whose office he cleans. **It is fundamentally unfair.**

Small businesses are also overburdened under the state's regressive tax structure. Even though they might have low profit margins, small businesses are taxed at the same rate as high grossing corporations. These large corporations often receive special tax breaks from which smaller businesses don't benefit.

Not only is that bad for Washington families, it's bad for our state budget. We have **lost the ability to fully fund our responsibilities like K-12 education, higher education, economic development, mental health and health care, veterans services,** and every other program that our communities value.

Instead of looking at an upside down tax system and writing an upside down budget, House Democrats have a budget that reflects Washington values. Now, we need a tax structure that is right-side up.



Putting Families First

House Democrats believe by working together we can **fully fund education**, strengthen the middle-class economy, create thriving communities all across Washington, and reduce the tax burden on small businesses who need freedom to prosper and grow.



- Building Wealth for Working Families
- Ending the Corporate Tax Break on Capital Gains
- Marketplace Fairness for Washington Businesses
- Small Business Tax Relief
- Closing Costly Tax Breaks
- Ensuring Fairness for Washington Taxpayers and Businesses

This revenue package provides **great schools for our kids**, improves services for thriving communities, and cleans up unnecessary tax breaks that benefit corporations and powerful interests.

Investing in a Strong Economy

Building Wealth for Working Families

Homeownership is one of the best ways to move into the middle class. Homes are one of the only major assets the average American can afford to invest in their retirement. Currently, all property sellers pay a flat 1.28 percent real estate excise tax (REET) rate regardless of the price of their home. Generally, that cost is passed on to the buyer. House Democrats propose a progressive REET structure based on the property sale value:

- Under \$250,000, the rate is reduced to 0.75% (~**67% of sales**).
- Between \$250k-\$1 million the rate remains at 1.28% (~**30% of sales**).
- Between \$1 million & \$5 million the rate increases to 2.00% (~**2.5% of sales**).
- Above \$5 million the rate increases to 2.5%. (~**0.3% of sales**).

2017-19 Biennium: \$419.7 million

Ending the Corporate Tax Break on Capital Gains

Nine states do not have a capital gains tax on sale of corporate stocks, bonds, investment property, and other high-end financial assets. House Democrats are closing the capital gains corporate tax break with a 7% excise tax on transactions. Key proposal elements include:

- **Generally, 98.5% of tax filers will never see this tax. About 1.5% of Washington tax filers are affected.**
- Filing threshold exemption of \$25k/\$50k for single/joint filers.
- Credit is allowed for capital gains taxes paid in another state.
- Capital gains excluded: retirement accounts; sale of cattle, horses, or breeding livestock; sale of agricultural lands; sale of timber; sale of single-family homes.

2017-19 Biennium: \$715 million

Marketplace Fairness for Washington Businesses

Businesses around the state are competing with online retailers that don't have to collect and remit sales tax. Based on recent rulings in Colorado, House Democrats are proposing two options for online marketplaces: Collect and remit sales tax for Washington sales OR report specific sales & use tax data to the Department of Revenue.

2017-19 Biennium: \$340.8 million

Small Business Tax Relief

For many small businesses, including those just starting up or struggling to grow, the B&O gross receipt tax is an imbalanced tax burden. **We are exempting 72% of businesses** (taxable under \$250k) from B&O tax liability through a 20% increase in the rate for our highest grossing businesses. Additionally, we're giving a \$100,000 tax deduction to those with taxable revenue of \$250k-\$500k (currently they do not qualify for the small business credit).

2017-19 Biennium: \$1.197 billion

Closing Costly Tax Breaks

House Democrats believe it's time to close costly, unnecessary, and out-of-date tax breaks, including:

- The extracted fuel exemption.
- Repealing international investment management services & prescription drug resellers preferential rates.
- Eliminating the REET exemption for banks on foreclosed homes.
- Modifying the non-resident sales tax benefit.
- Ending the bottled water sales tax exemption.

2017-19 Biennium: \$137.1 million

Ensuring Fairness for WA Taxpayers & Businesses

This ensures fairness for our businesses that work hard to pay their taxes but are undercut by the underground economy. This improves tax compliance providing a level playing field for businesses across the state.

2017-19 Biennium: \$22.4 million