Back to Business

Fair Share Tax

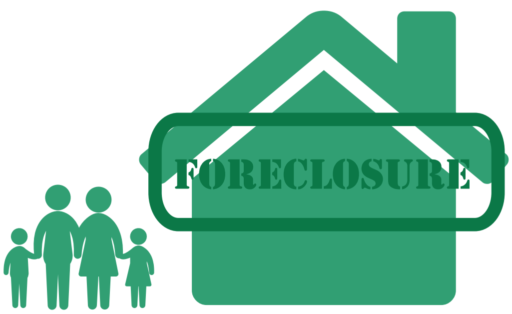
Close Costly Tax Breaks

Let's repeal and narrow outdated and costly tax breaks that no longer benefit the intended industries. Instead of giving tax breaks to big companies, let's invest that money our children and our future. It's time to take a step back and make sure our more than 650 tax breaks are serving their purpose: helping our economy, not hurting it.

No tax breaks for oil refineries

In 1949 the state created a tax exemption for extracted fuel to help the timber industry. Today, 98 percent of the cost of this tax break is taken by the state's five oil refineries.

Or for foreclosing lenders



It's time to end a real estate excise tax exemption for banks and other lenders when they foreclose on families home. Distressed homeowners would still be exempted from paying this tax — foreclosure is hard enough.

Or for nonresidents in our stores

It's a matter of fairness. We have to pay income tax in Oregon. If you're a nonresident and you shop in our stores, you should pay a Washington sales tax. It's not worth taking money from our schools.

House Democrats

Building a Washington that works for everyone.

How it works

Washington now has over 650 tax preferences in state law, costing the state an estimated $24 billion every two years in foregone tax revenue. This proposal repeals several tax preferences that are either ineffective, no longer justified, or simply a special exemption that we can no longer afford. Specifically, we will:

Repeal preferred B&O rate for travel agents and tour operators — $14.3 million
This preferential B&O tax rate was created in 1975 when travel agents operated under a very different business model, relying on airplane ticket bookings for 75% of their income. The travel industry has changed dramatically in recent years, and the original objectives for this special rate no longer apply.

Repeal preferred B&O rate for resellers of prescription drugs — $34.6 million
This preferential B&O tax rate applies to businesses that warehouse and resell prescription drugs to retailers, hospitals, clinics and other health care providers. It was created in 1998 to attract out-of-state drug companies to build warehouses in Washington. Drug companies without in-state warehouses have been able to take advantage of this rate, undermining the purpose for which the preferential rate was created.

Repeal preferred B&O rate for royalty income — $42.5 million
This preferential B&O tax rate applies to income earned from licensing the use of intangible property. When this rate was created in 1998, Washington taxed all of a taxpayer's royalty income regardless of where the licensed property was used. Since 2010, only royalty income from Washington has been now taxed, but the pre-1998 rate was never restored.

Repeal a use tax exemption for extracted fuel — $30.3 million
This tax exemption was created for the timber and wood products industry in 1949, but the state's five oil refineries now account for 98% of the cost of this exemption. This proposal taxes extracted fuel at the same rate (3.852%) as brokered natural gas.

Repeal a sales tax exemption for bottled water — $44.4 million
Sales of bottled water were subject to sales tax before January 1, 2004, in anticipation of Washington joining the Streamlined Sales and Use Tax Agreement. Bottled water is a discretionary purchase and the vast majority of other states collect tax on its sales.

Limit a sales tax exemption for nonresidents — $51.5 million
Nonresidents from states with no or very low sales tax are exempted from paying Washington's sales tax on purchases. This exemption was created in the 1960s, and provides a direct tax benefit to nonresidents over Washington residents. In fact, Washington residents pay income taxes if working in Oregon, whose residents claim most of this benefit. Under this refund model, nonresidents could claim an exemption for purchases over $25 – allowing them to continue claiming it for big-ticket purchases where price sensitivity is a higher factor.

Limits a REET exemption on foreclosures sales by lenders — $81.9 million
This tax exemption was created in 1950s. This proposal keeps the exemption for distressed homeowners, but requires banks and other lienholders to pay REET when selling a foreclosed property. This is a matter of fairness – an average homeowner owes REET when selling his or her home. A bank should pay the same tax when selling property.