

# Washington State and Local Tax System Dysfunction & Reform

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# Characteristics of State and Local Tax Systems

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- **Fairness**
- **Adequacy**
- **Stability**
- **Transparency**
- **Economic vitality**

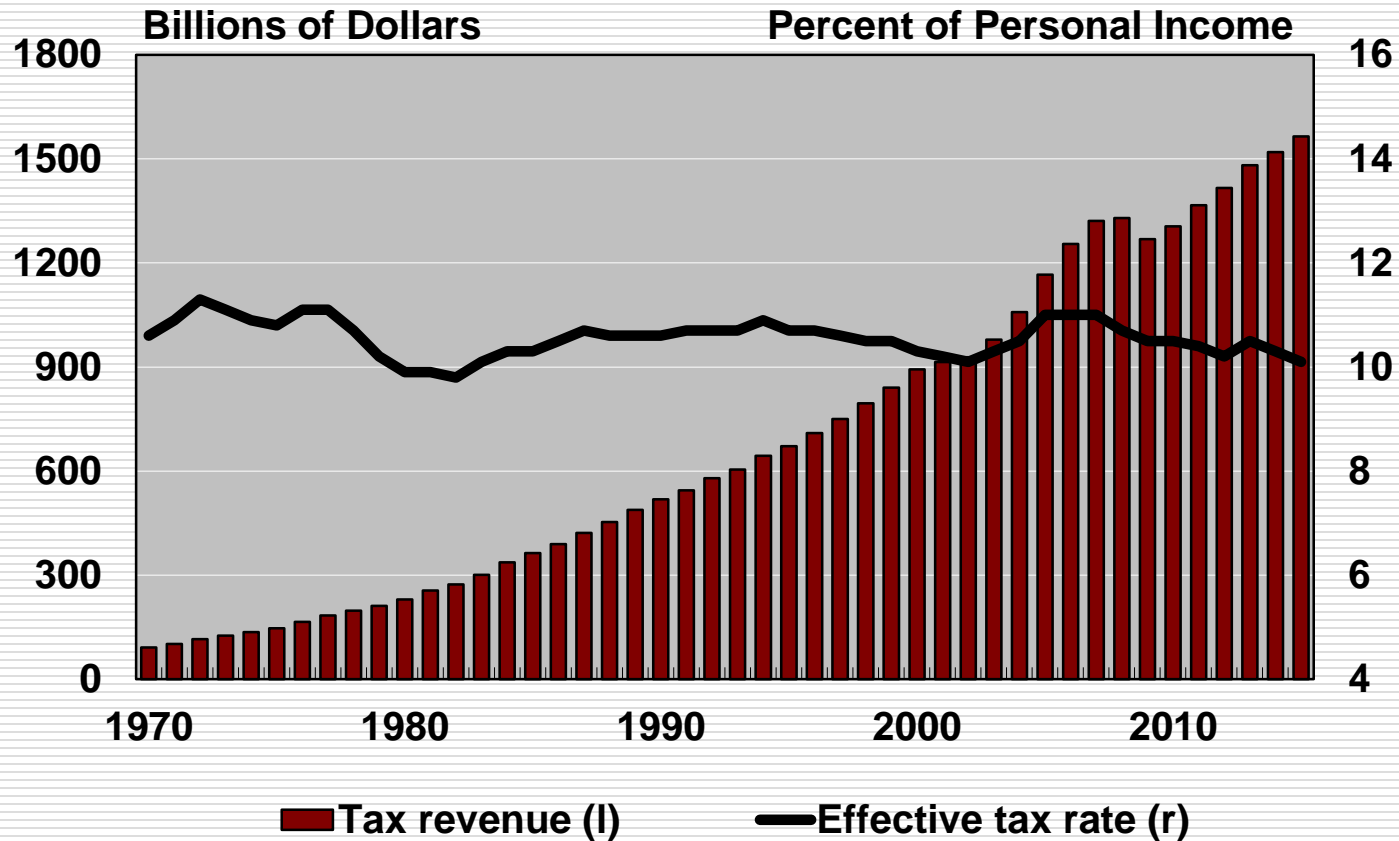
# Regressive State and Local Tax Systems, 2015

## Taxes as Percent of Family Income

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Rank	State	20 Percent Lowest Incomes	60 Percent Middle Incomes	1 Percent Highest Incomes	Ratio of Lowest to Highest
	<b>United States</b>	<b>10.9</b>	<b>9.2</b>	<b>5.4</b>	<b>2.0</b>
<b>1</b>	<b>Washington</b>	<b>16.8</b>	<b>10.1</b>	<b>2.4</b>	<b>7.0</b>
<b>2</b>	<b>Hawaii</b>	<b>13.4</b>	<b>11.2</b>	<b>7.0</b>	<b>1.9</b>
<b>3</b>	<b>Illinois</b>	<b>13.2</b>	<b>10.9</b>	<b>4.6</b>	<b>2.9</b>
<b>4</b>	<b>Florida</b>	<b>12.9</b>	<b>8.3</b>	<b>1.9</b>	<b>6.7</b>
<b>47</b>	<b>South Carolina</b>	<b>7.5</b>	<b>7.4</b>	<b>4.5</b>	<b>1.7</b>
<b>48</b>	<b>Alaska</b>	<b>7.0</b>	<b>4.3</b>	<b>2.5</b>	<b>2.8</b>
<b>49</b>	<b>Montana</b>	<b>6.1</b>	<b>6.2</b>	<b>4.7</b>	<b>1.3</b>
<b>50</b>	<b>Delaware</b>	<b>5.5</b>	<b>5.3</b>	<b>4.8</b>	<b>1.1</b>

# U.S. State and Local Tax Revenue



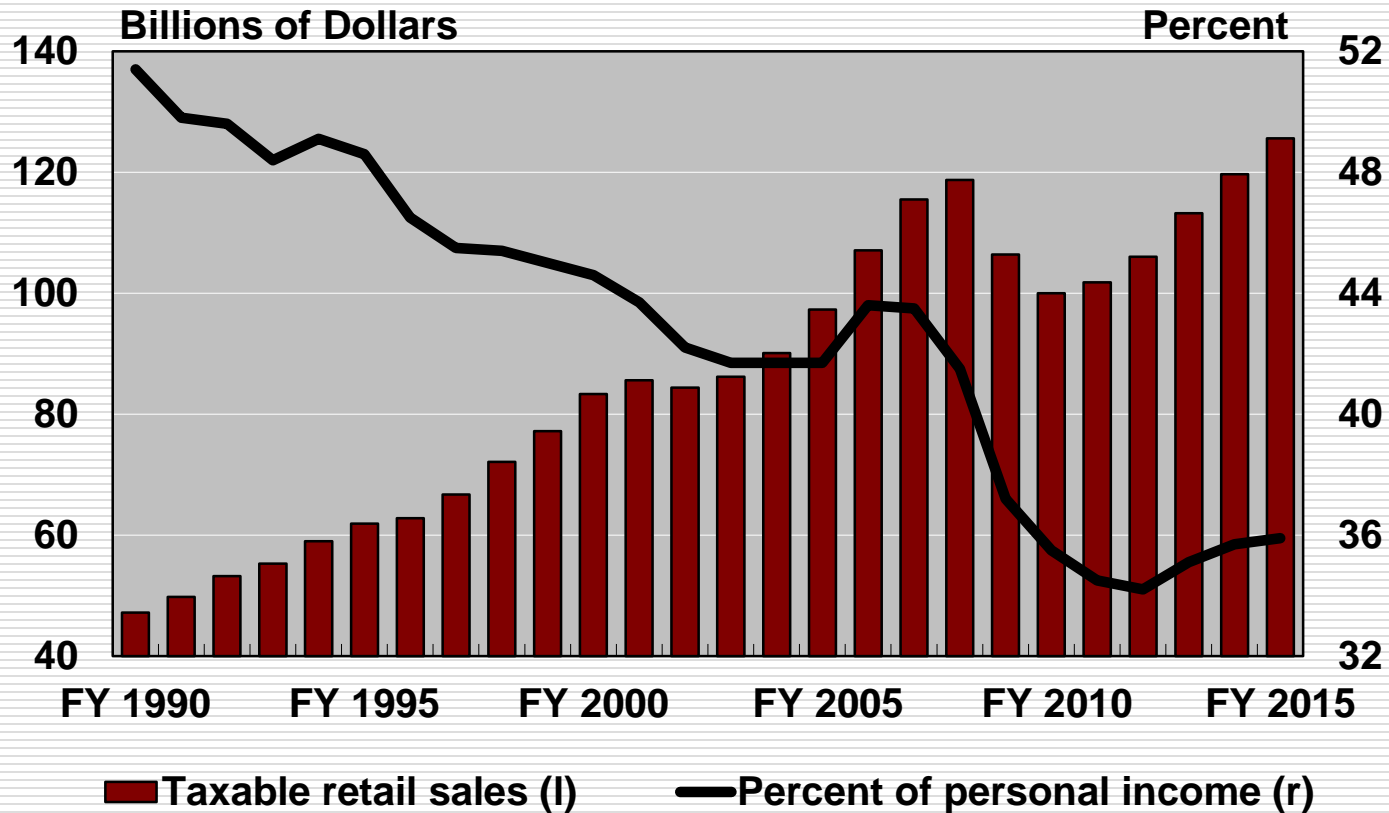
# Washington and U.S. State and Local Effective Tax Rate, FY 1995-FY 2014 Percent of Personal Income

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	Washington	Rank	United States
<b>FY 1995</b>	<b>11.4</b>	<b>11</b>	<b>10.8</b>
FY 2000	9.9	37	10.5
FY 2005	9.8	37	10.6
FY 2006	10.2	38	10.9
FY 2007	10.3	31	11.0
FY 2008	9.9	38	10.8
FY 2009	9.5	37	10.4
FY 2010	9.7	37	10.5
FY 2011	9.8	33	10.4
FY 2012	9.4	36	10.2
FY 2013	9.3	38	10.4
<b>FY 2014</b>	<b>9.4</b>	<b>36</b>	<b>10.4</b>

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# Washington Taxable Retail Sales



# Washington State and Local Tax Revenue Forfeited, FY 2005-FY 2014

## Billions of Dollars

	Personal Income	Tax Revenue (actual)	Tax Revenue (10.5% rate)	Tax Revenue Forfeited
FY 2005	233.5	23.0	24.5	1.5
FY 2006	246.8	25.1	25.9	0.8
FY 2007	267.2	27.5	28.1	0.6
FY 2008	289.6	28.6	30.4	1.8
FY 2009	286.8	27.2	30.1	2.9
FY 2010	279.6	27.1	29.4	2.3
FY 2011	292.8	28.8	30.7	1.9
FY 2012	313.2	29.4	32.9	3.5
FY 2013	330.6	30.8	34.7	3.9
<b>FY 2014</b>	<b>343.2</b>	<b>32.2</b>	<b>36.0</b>	<b>3.8</b>
<b>Total</b>	<b>---</b>	<b>279.7</b>	<b>302.7</b>	<b>23.0</b>

# Elementary and Secondary School Spending Per \$1,000 of Personal Income, FY 2014 Dollars

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Rank	State	Spending
	United States	38.46
1	Alaska	63.61
2	Vermont	55.35
3	New York	53.72
4	New Jersey	50.76
<b>42</b>	<b>Washington</b>	<b>32.60</b>
47	Colorado	31.57
48	South Dakota	30.94
49	Arizona	29.33
50	Florida	29.28



# Advantages of 10.5 Percent Income Tax

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- **Replaces all other taxes** No need for sales tax, property tax, business and occupation tax, or any other tax.
- **Fairness** No regressivity. Everyone works 5.5 weeks to pay state and local tax bill.
- **Adequacy** Ensures adequate tax revenue—10.5 percent of personal income—every year.
- **Maximum federal tax savings** State and local income taxes are fully deductible.

# Washington State and Local Tax Burden, FY 2015

	Current Tax System	Personal Income Tax System
<b>State and local taxes (bils. \$)</b>	<b>34.1</b>	<b>38.3</b>
Households	26.4	38.3
Business, government, visitors	7.7	0.0
<b>State and local effective tax rate (%)</b>	<b>9.3</b>	<b>10.5</b>
<b>Federal income tax offset (%)</b>	<b>-0.3</b>	<b>-1.5</b>
<b>Net state and local tax rate (%)</b>	<b>9.0</b>	<b>9.0</b>
<b>State and local taxes (bils. \$)</b>	<b>34.1</b>	<b>38.3</b>
<b>Federal income tax offset (bils. \$)</b>	<b>-1.1</b>	<b>-5.6</b>
<b>Net state and local taxes (bils. \$)</b>	<b>33.0</b>	<b>32.7</b>

# Washington State and Local Tax Burden on Households with Personal Income Tax System, FY 2015

	Lowest 20 Percent	Middle 60 Percent	Highest 20 Percent	Top 1 Percent
Average household income* (\$)	19,090	88,380	377,290	2,434,860
State and local tax rate (%)	10.5	10.5	10.5	10.5
State and local taxes (\$)	2,004	9,280	39,615	255,660
Personal income taxes (\$)	2,004	9,280	39,615	255,660
Federal offset (% of income taxes)	0.0	8.0	20.5	32.0
Federal offset (\$)	0	743	8,121	81,811
<b>Net state and local taxes (\$)</b>	<b>2,004</b>	<b>8,537</b>	<b>31,494</b>	<b>173,849</b>
<b>Net state and local tax rate (%)</b>	<b>10.5</b>	<b>9.7</b>	<b>8.3</b>	<b>7.1</b>
<b>ITEP net state and local taxes (\$)</b>	<b>3,207</b>	<b>8,926</b>	<b>17,921</b>	<b>58,437</b>
<b>ITEP net state and local tax rate (%)</b>	<b>16.8</b>	<b>10.1</b>	<b>4.8</b>	<b>2.4</b>

\*Personal income per household.