

Washington State and Local Tax System Dysfunction & Reform

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Some Washington Tax Myths

- **The people of Washington would never vote for an income tax.**
- **Taxes are high.**
- **State and local fiscal problems are due to over-spending.**
- **Without an income tax, the Washington economy has a competitive edge.**

Characteristics of Tax Systems

Washington Grade

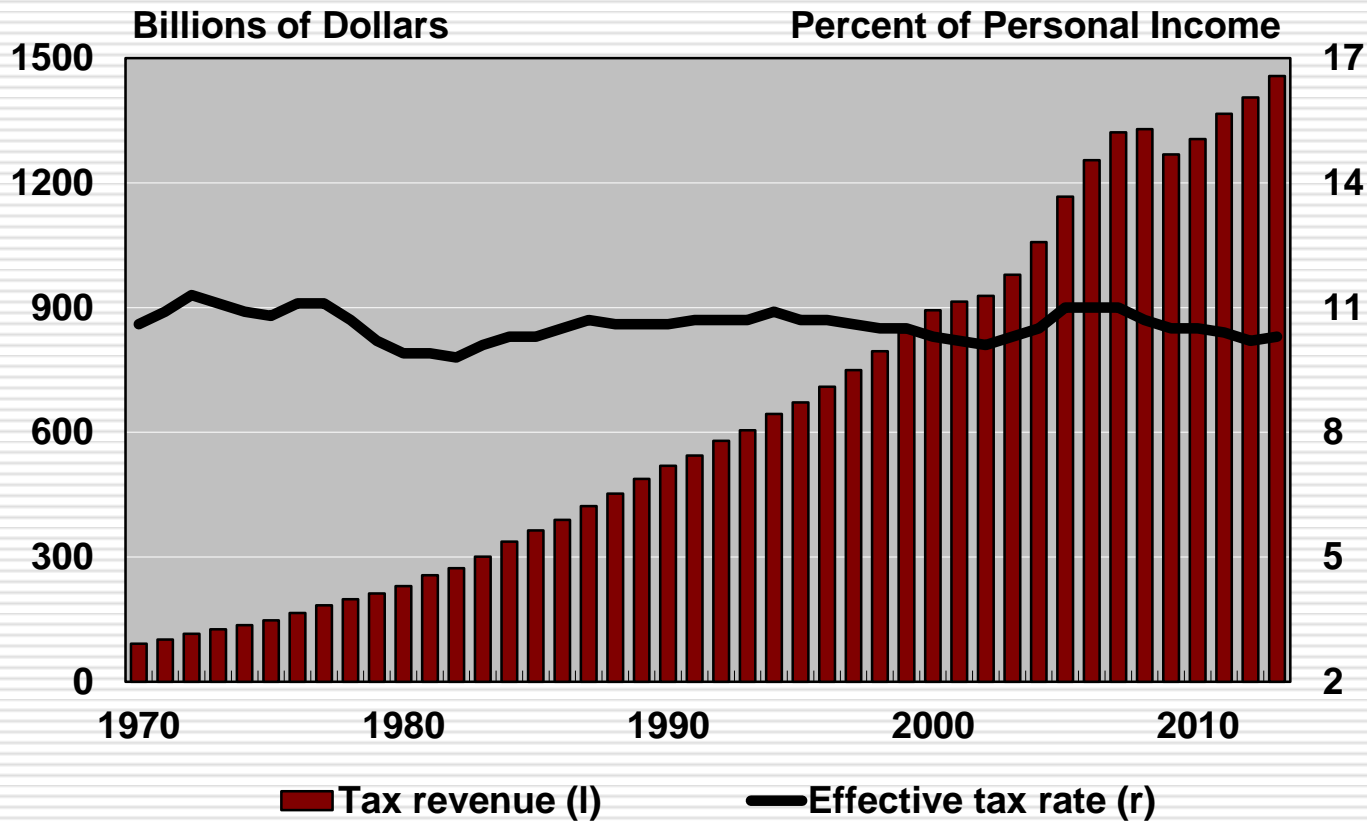
- **FAIRNESS** **F (51)**
- **ADEQUACY** **F (50)**
- **Stability** **F (47)**
- **Transparency** **F (50)**
- **ECONOMIC VITALITY** **No grade**

Washington State and Local Tax Burden on Households, 1999

Percent of Household Income

Income	Retail Sales Tax	Other Excise Tax	Property Tax	Total Tax
\$20,000 and under	6.7	3.2	5.8	15.7
\$20,000-30,000	4.4	1.9	3.5	9.8
\$30,000-40,000	4.0	1.6	3.9	9.4
\$40,000-50,000	3.7	1.4	3.2	8.3
\$50,000-60,000	3.7	1.3	3.2	8.2
\$60,000-70,000	3.5	1.2	3.1	7.7
\$70,000-80,000	3.3	1.0	3.1	7.4
\$80,000-100,000	3.2	0.9	2.7	6.8
\$100,000-130,000	2.9	0.7	2.5	6.0
\$130,000 and over	2.2	0.4	1.8	4.4

U.S. State and Local Tax Revenue



Washington and U.S. State and Local Effective Tax Rate, FY 1995-FY 2012 Percent of Personal Income

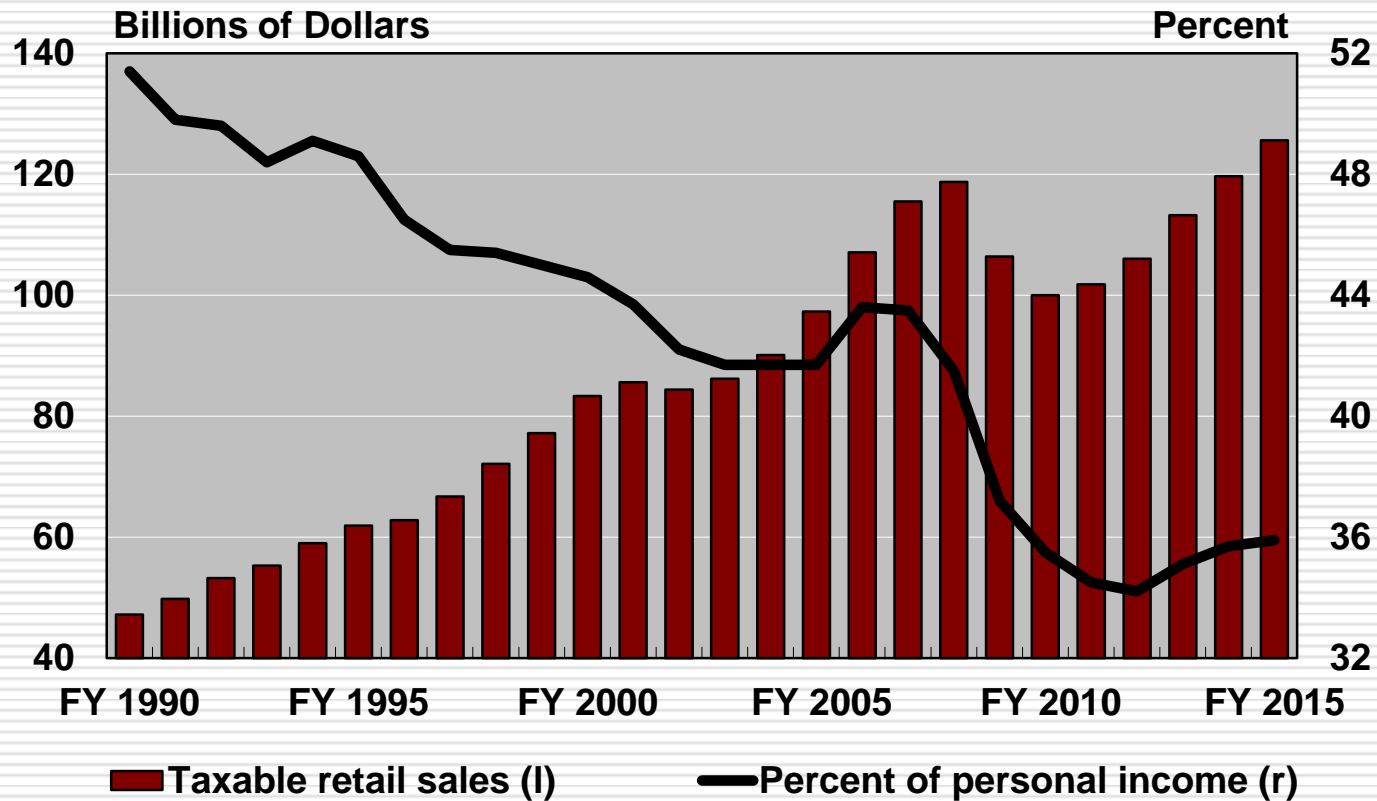
	Washington	Rank	United States
FY 1995	11.4	12	10.8
FY 2000	9.9	38	10.5
FY 2005	9.8	38	10.6
FY 2006	10.2	34	10.9
FY 2007	10.4	30	11.0
FY 2008	10.0	34	10.8
FY 2009	9.5	37	10.5
FY 2010	9.6	37	10.5
FY 2011	9.8	36	10.5
FY 2012	9.4	37	10.3

Washington State and Local Tax Revenue, FY 2005-FY 2012

Billions of Dollars

	Personal Income	Tax Revenue (actual)	Tax Revenue (10.6% rate)	Revenue Difference
FY 2005	233.4	23.0	24.7	-1.7
FY 2006	245.8	25.1	26.1	-1.0
FY 2007	265.3	27.5	28.1	-0.6
FY 2008	285.7	28.6	30.3	-1.7
FY 2009	286.3	27.2	30.3	-3.1
FY 2010	281.9	27.1	29.9	-2.8
FY 2011	295.1	28.8	31.3	-2.5
FY 2012	313.6	29.4	33.2	-3.8
Total	---	216.7	233.9	-17.2

Washington Taxable Retail Sales



Washington State and Local Tax Revenue, FY 1995-FY 2025

Billions of Dollars

	Tax Revenue	Personal Income	Effective Tax Rate (%)
FY 1995	14.8	129.8	11.4
FY 2000	18.7	189.6	9.9
FY 2005	23.0	233.4	9.8
FY 2010	27.1	281.9	9.6
FY 2015	32.6	350.3	9.3
FY 2020	39.0	447.1	8.7
FY 2025	46.6	570.6	8.2

Note: Forecast assumes no change to tax rates or tax base.

Business Tax Climate and Employment Change

Rank	State	1970-12 Employment Change (thous.)	Percent of U.S. Employment Change
---	United States	60,632.0	100.0
1	Wyoming	168.7	0.3
2	South Dakota	221.3	0.4
3	Nevada	954.5	1.6
4	Alaska	230.6	0.4
5	Florida	5,219.2	8.6
6	Washington	1,807.6	3.0
47	Rhode Island	79.5	0.1
48	Vermont	143.8	0.2
49	California	7,550.4	12.5
50	New Jersey	1,150.6	1.9
51	New York	1,382.0	2.3

Washington and Oregon Economic Growth, 1970-2010

	1970	2010	Annual Change (%)
Washington			
Employment (thous.)	1,282.1	2,998.3	2.1
Personal income (bils. \$)	14.3	286.7	7.8
Per capita income (\$)	4,189	42,521	6.0
Population (thous.)	3,417.4	6,743.6	1.7
Oregon			
Employment (thous.)	767.7	1,677.9	2.0
Personal income (bils. \$)	8.2	137.7	7.3
Per capita income (\$)	3,927	35,869	5.7
Population (thous.)	2,100.4	3,838.2	1.5

Single-Rate Personal Income Tax, FY2012

Billions of Dollars

	Income Tax System		Current Tax System	
	Tax Revenue	Effective Tax Rate (%)	Tax Revenue	Effective Tax Rate (%)
Tax revenue	33.2	10.6	29.4	9.4
Income	33.2	10.6	0	0
Individual	33.2	10.6	0	0
Corporate	0	0	0	0
Sales and gross receipts	0	0	20.2	6.4
General sales	0	0	9.7	3.1
Business and occupation	0	0	3.4	1.1
Other excise	0	0	7.1	2.3
Property	0	0	9.2	2.9