

Public Engagement Tax Scenarios

Approved by the Tax Structure Work Group (TSWG), May 17. In early summer 2021, slides with more information and graphics to support public engagement will be released.

Tax Scenario Overview: What Changes

New Taxes	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
Personal Income Tax	---	---	---	---	✓ (Flat)	✓ (Progressive)
VAT/Margins Tax	---	---	✓	✓	---	---
Corporate Income Net Receipts Tax	---	---	---	---	✓	✓
Wealth Tax	---	✓	---	---	---	---
Employer Compensation Tax	---	---	✓	✓	---	---
Current Taxes						
Sales Tax	---	---	---	---	(↓ to ~4.5%)	(↓ to ~4.5%)
Business and Occupation Tax	---	(Replaced w/ Value Added Tax and Employer Compensation Tax)	(Replaced w/ Value Added Tax and Employer Compensation Tax)	(Replaced w/ Margins Tax and Employer Compensation Tax)	(Replaced w/ Corporate Income Net Receipts)	(Replaced w/ Corporate Income Net Receipts)
Property Tax	(Add: change limitation factor)	(↓ TBD%)	---	---	(↓ by ~25%)	(↓ by ~25%)

Tax Scenario: A



Note:

- This scenario is not revenue neutral. Tax revenues will grow over time with change in limitation factor)
- State property tax only

What stays the same?

- Sales tax is unchanged
- B&O tax is unchanged

What changes?

- Property tax has new limitation factor (population-inflation index)

What revenue is replaced (17-19 Biennium)?

- None

Notable exemptions?

- Primary residence property tax exemption (PRPTE) of first \$250,000 in market value

Tax Scenario: B



What stays the same?

- Sales tax is unchanged
- B&O tax is unchanged

What changes?

- Reduce the state property tax
- Replace property tax reduction with wealth tax (e.g., HB 1406)

What revenue is replaced (17-19 Biennium)?

- ~ the state levy reduced at least as necessary to prevent the value exempted under the PRPTE from resulting in a higher tax rate than would have occurred in the absence of the exemption.

Notable exemptions?

- Primary residence property tax exemption (PRPTE) of first \$250,000 in market value

Tax Scenario: C



Note:

- Employer compensation tax is imposed on compensation that exceeds \$150,000 per year paid to an employee located in Washington; the first \$150,000 in compensation for each employee is exempted

What stays the same?

- Property tax is unchanged
- Sales tax is unchanged

What changes?

- B&O replaced with
 - VAT
 - Employer Compensation Tax

What revenue is replaced (17-19 Biennium)?

- ~ \$8.59 B from B&O tax replacement

Notable exemptions?

- Small business exemption

Tax Scenario: D



Note:

- Employer compensation tax is imposed on compensation that exceeds \$150,000 per year paid to an employee located in Washington; the first \$150,000 in compensation for each employee is exempted

What stays the same?

- Property tax is unchanged
- Sales tax is unchanged

What changes?

- B&O replaced with
 - Margins Tax (modified Texas model)
 - Employer Compensation Tax

What revenue is replaced (17-19 Biennium)?

- ~ \$8.59 B from B&O replacement

Notable exemptions?

- Small business exemption

Tax Scenario: E



What stays the same?

- All major taxes are changed

What changes?

- Reduce the sales tax to 4.5%
- Reduce the property tax by 25%
- Replace the B&O tax with a corporate income-net receipts tax (CINR)
- Add a personal income tax (PIT) – flat tax rate

What revenue is replaced (17-19 Biennium)?

- ~ \$8.59 B from B&O replacement
- ~ \$1.53 B from property tax reduction
- ~ \$7.25 B from sales tax reduction

Notable exemptions?

- Primary residence property tax exemption (PRPTE) of first \$250,000 in market value

Tax Scenario: F



What stays the same?

- All major taxes are changed

What changes?

- Reduce the sales tax to 4.5%
- Reduce the property tax by 25%
- Replace the B&O tax with a corporate income-net receipts tax (CINR)
- Add a personal income tax (PIT) – progressive/marginal tax rate

What revenue is replaced (17-19 Biennium)?

- ~ \$8.59 B from B&O replacement
- ~ \$1.53 B from property tax reduction
- ~ \$7.25 B from sales tax reduction

Notable exemptions?

- Primary residence property tax exemption (PRPTE) of first \$250,000 in market value