WASHINGTON STATE BUDGET & POLICY CENTER

What to know about Initiative 1929

Initiative 1929 would reduce investments in Washington's kids and give a tax cut to the ultra-wealthy.

Initiative 1929 seeks to give the wealthiest 0.2% of Washingtonians an unnecessary tax cut and take away over $500 million per year in critical funding for child care and early learning. It undoes one of the most equitable fixes to our state tax code in 90 years – the excise tax on extraordinary capital gains profits.

Who is harmed by Initiative 1929?

I-1929 would harm kids, families, teachers, child care workers, and our communities. Without the funding generated by the capital gains tax, many families won't have access to affordable preschool and child care. Further, early learning and child care educators who care for our future generations won't be adequately compensated. The initiative also reduces funding for much-needed improvements to school buildings and construction projects. Finally, I-1929 would preserve the unjust status quo in which the lowest-income people pay the largest share of their income in state and local taxes.

Who benefits from Initiative 1929?

The initiative would effectively pad the pockets of the uber-wealthy. It cuts the tax bills for 0.2% of the richest Washingtonians – fewer than 8,200 households – who have enough capital gains wealth to be eligible to pay this tax. These households have average annual incomes of more than $2 million.

Why does Washington state need an excise tax on capital gains wealth?

Washington has the most inequitable tax code in the country, in which people with the lowest incomes pay up to six times more of their income in state and local taxes than the wealthiest 1%. And because of racist tax and economic policies that favor wealthy white people, the tax code is especially harmful to Black, Indigenous, and People of Color.

The capital gains wealth tax rightly starts to address this inequity. It also provides much-needed investments in schools, early learning, and child care. **By repealing a tax that ensures the ultra-wealthy pay their share and reducing funding for education programs, I-1929 would be a monumental move in the wrong direction.**

The truth about the capital gains wealth tax

Contrary to what the people behind I-1929 will have you believe, only a tiny share of Washingtonians – **fewer than 8,200 households** – would pay this excise tax. And the ultra-rich people who qualify for this tax would pay just 7% on profits exceeding $250,000 per year that they make from the sale of financial assets (the first $250,000 in profits is exempt). Exemptions to this tax also include profits from the sale of:

- Real estate – including family homes, investment properties, and farmland
- Retirement accounts – including assets held in a 401K, an IRA or Roth IRA, and a pension plan
- Family-owned small businesses, such as car dealerships, farms, fishing businesses, restaurants, and motels
- Timber and timberlands; livestock; and commercial fishing privileges

These exemptions ensure that the tax almost exclusively applies to truly the wealthiest 0.2% of taxpayers.

Scenario: A wealthy individual reaps $400,000 in capital gains profits in one year. They pay a 7% tax on $150,000 (for the amount above the exempted $250,000 in profits). Their state capital gains tax bill would be $10,500, which is only **2.6%** of their total capital gains profit.

Initiative 1929 is a bad move for Washington

Advocates called for the passage of a tax on capital gains in our state for many years because they wanted better community investments and fixes to our unjust tax code. The passage of the tax in 2021 was a historic legislative victory that moved our tax code in the right direction toward creating economic justice. I-1929 is now an effort to ensure a small group of people can continue to hoard wealth and not pay an equitable share in taxes – at the expense of children and families. Washington needs policies that create a bright economic future for everyone. Initiative 1929 would instead take us backward.

Find out more at budgetandpolicy.org

The Washington State Budget & Policy Center is a research and policy organization that works to advance the economic well-being of all Washingtonians.

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