

**Testimony Regarding
House Bill 1496**
House Finance Committee

February 11, 2021

Thank you Representative Frame and members of the House Finance Committee.

I'm Erica Williams, Vice President of State Fiscal Policy at the Center on Budget and Policy Priorities in Washington DC.

White households own 87% of all U.S. wealth, and the top 10% of white households hold about two-thirds of all wealth. As a result, millions of families, and especially those of color, have less wealth, security, and opportunity than they otherwise would. The pandemic has made clear the consequences of these inequities, with the economic and health crises largely bypassing wealthier families and hitting hardest at people of color and families with low incomes.

In Washington state, the place where I was born and raised, the upside-down tax code greatly exacerbates racial and economic inequities, in bad times and in good. Washington state has a choice to make right now. It can muddle through the crisis without addressing the effects of structural barriers that leave Washingtonians worse off. OR, it can pursue an antiracist, equitable recovery that takes aim at the concentration of wealth and invests in families and communities sidelined by racial and economic inequality. House Bill 1496 would help do that with a capital gains tax levied almost exclusively on the wealth of the top 1% of households in the state to help pay for quality, affordable child care for more of Washington's families.

The Center on Budget supports House Bill 1496 for the following reasons:

- First, policy choices made in the next few years will greatly impact the future of Washington's communities. It would be easy, yet incredibly short-sighted, to look at forthcoming federal aid and put off state action. Federal aid will not undo structural inequities that left all too many Washingtonians vulnerable in this crisis. On the other hand, a tax on capital gains that allows for an investment in child care for all communities—something that my own single mother struggled to find and afford for me and my sister growing up in Spokane—will help to drive toward an equitable recovery that enables many more families access to quality, affordable child care and return to work.
- Second, a capital gains tax helps to address wealth and racial inequality in the state as it would be paid by the small number of taxpayers who have done extraordinarily well in recent decades and been largely insulated from the current crisis. It would help to offset the upside-down nature of Washington's current tax system, which asks the lowest

income households to pay nearly one-fifth of their incomes in state and local taxes while the richest 1 percent pay just 3 percent. The worst in the nation.

- Finally, a capital gains tax would do considerably more good than harm to Washington's economy as research and real world experience show, particularly in times of recession, that any small negative effect on the economy would be more than offset by the economic boost of the investments the tax would allow.

Thank you for your time.

Sincerely,

Erica Williams

(she/her/hers, [why pronouns matter](#))

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