

Washington Democrat Introduces Wealth Tax, Business Tax Increase

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By Paul Jones

Tax increases proposed by former Washington Gov. Jay Inslee at the end of his term have been introduced in the House, but the new governor could be a stumbling block for enacting a wealth tax.

House Finance Committee Vice Chair Chipalo Street (D) filed [H.B. 1319](#), the wealth tax bill, and [H.B. 1320](#), a proposal to increase the state's business & occupation (B&O) tax, on January 15. Both bills are based on proposals that were included in Inslee's final budget proposal [in December 2024](#), which virtually guaranteed that they would be introduced in legislation. A representative with Street's office told Tax Notes that the bills were introduced as a courtesy to Inslee.

Majority Democrats have indicated their support for pursuing progressive tax policies to generate additional revenue to counter the state's projected \$10 billion to \$12 billion four-year deficit. But Gov. Bob Ferguson (D), who took office on January 15, [has indicated](#) in comments and in his budget priorities document released earlier this month that he's particularly skeptical of a wealth tax and that he wants to pursue cuts across the board before looking for additional revenue.

The Bills

H.B. 1319 would impose a 1 percent tax on the amount of a taxpayer's financial intangible assets that exceeds \$100 million. Inslee's office had projected the tax would generate \$10.3 billion over the next four years and apply to approximately 3,400 taxpayers.

H.B. 1320 would increase the B&O tax — the state's gross receipts tax — on businesses that have over \$1 million in Washington-taxable gross revenue that are taxed under the "service and other activities" category. The rate would be increased from 1.75 percent to 2.1 percent for the period of October 2025 through December 2026, and would then drop to 1.925 percent. The legislation would also increase other B&O tax rates by 10 percent beginning in January 2027. Those changes were projected to raise \$2.6 billion over four years when proposed by Inslee.

House Republican Deputy Leader Rep. Chris Corry argued that H.B. 1319 and H.B. 1320 "should be laughed off of serious consideration by people in Olympia," asserting that Inslee's \$79.5 billion biennial budget is "so financially out of control" as to be a nonstarter.

Support for Progressive Taxes

Inslee had argued in his [last budget](#) that the multibillion-dollar projected budget deficit requires the state to increase revenue to protect spending for education, child care, healthcare, and other

priorities. He called for the implementation of progressive taxes to generate that additional revenue, arguing higher earners should pay more.

He also warned there could be cuts to federal spending on social programs under the Trump administration that could hurt Washingtonians.

The Democratic legislative majority's leadership [has said](#) lawmakers will consider progressive tax proposals and that they're confident they have voters' support for such policies, citing voters' decision in the 2024 general election to uphold tax-funded programs and the state's capital gains tax, which Washington Republicans had sought to eliminate via referendum.

Other [tax proposals](#) that could be on the table include a payroll tax that larger businesses would pay on the compensation of higher-paid employees, modeled after Seattle's 2020 "[Jumpstart](#)" tax; a B&O tax surcharge on high levels of revenue; and a higher capital gains tax rate on gains over \$1 million. Sen. Noel Frame (D) and Rep. My-Linh Thai (D) have also indicated they'll introduce their own wealth tax proposal, following up similar proposals in previous sessions.

Although Ferguson's posture has contrasted somewhat with legislative Democrats, he hasn't actually pledged to oppose new taxes, and progressive tax reform advocates are optimistic that their cause could be advanced in 2025.

Eli Taylor Goss of the Washington State Budget and Policy Center told *Tax Notes* January 21 that the center supports H.B. 1319 and H.B. 1320 and generally backs the larger spate of proposals being discussed that are aimed at reforming Washington's regressive tax system, which is highly dependent on sales taxes and other nonprogressive revenue sources.

"I think this is an important moment for the Legislature to actually pass more sustainable forms of revenue to balance our budget," Goss said. "The public appetite for progressive revenue is higher than ever before," he said, noting that the capital gains tax was upheld by "over 64 percent of voters and in a majority of counties all over the state."

A poll conducted in October 2024, sponsored in part by [The Seattle Times](#), showed 66 percent overall support for a wealth tax on residents with total wealth in excess of \$250 million. "Income inequality has gotten worse at the same time this state supposedly has this great economy, and that's because resources and wealth are being hoarded by the ultra-wealthy," Goss said, adding that simply using cuts to balance the budget wouldn't address that issue and could harm the state's long-term vitality.

Goss also argued that critics of the state's spending levels were ignoring the more than \$10 billion in spending cuts that the state made during the Great Recession and said that "many programs are still not back to their previous levels."

"Businesses rely on healthy public investments — well-funded public schools to raise the next generation of workers," as well as transportation infrastructure and "childcare to help workers balance work and family life," Goss said. It's in the best interest of businesses and the state to "support investments and not cuts in these programs," he continued.

Pushback

Corry argued that higher business taxes could increase costs and said, "My colleagues on the other side of the aisle need to realize companies can move easier now than ever before." He also blamed the Democratic majority for the state's deficit, arguing that lawmakers approved unsustainable ongoing spending that now exceeds the state's revenue growth.

Despite Ferguson's focus on pursuing cuts before seeking new revenue, Corry acknowledged that the governor hasn't promised not to raise taxes. He also said that Democratic control of the State Legislature means some tax increase legislation is likely to advance.

"There's going to be some revenue package," Corry said, adding that he thinks the proposals that are most likely to move would be some version of an increase to the B&O tax and the employment tax proposal modeled after Seattle's tax. But given Ferguson's stated opposition to a wealth tax, that proposal shouldn't advance, Corry added.

Regarding the voters' decision to uphold the capital gains tax, Corry said lawmakers and progressives misread that outcome. "The campaign was an insane barrage of scare tactics," he said, arguing that voters were convinced to uphold the tax to avoid cuts to education, not because they generally support higher taxes.