AUGUST 2026

How the Millionaires Tax will benefit the people of Washington

This new policy will fund vital programs while making our state tax code more equitable

Want more details about the ins and outs of the Millionaires Tax?

See our FAQ

In 2026, Washington state lawmakers passed a historic Millionaires Tax, which will help fund vital programs and make progress toward fixing our state's upside-down tax code, which is currently rigged in favor of the wealthy few. The tax will generate over $3 billion in revenue per year by taxing households that make over $1 million annually. The revenue from the tax will fund programs, services, and tax exemptions designed to support families, kids, workers, and small businesses.

1 Who will pay the tax?

Starting in 2029[1], ultra-wealthy households will pay a 9.9% tax on their annual earnings over $1 Million.

This means that a household making $1,000,100 a year would pay merely $10. Further, only about 20,000 Washington households will pay this tax.

(About 20,000 households)

Less than 1% of the Washington state tax filers **will pay** this tax.

Over 99% of Washingtonians **will not pay** this tax.

2 It will fund essential programs

The **more than $3 billion** a year that the Millionaires Tax will infuse into the state budget will support a wide range of programs that strengthen the wellbeing of our communities, including:


Early learning


Childcare


K-12 education


Universal free school meals


Higher education

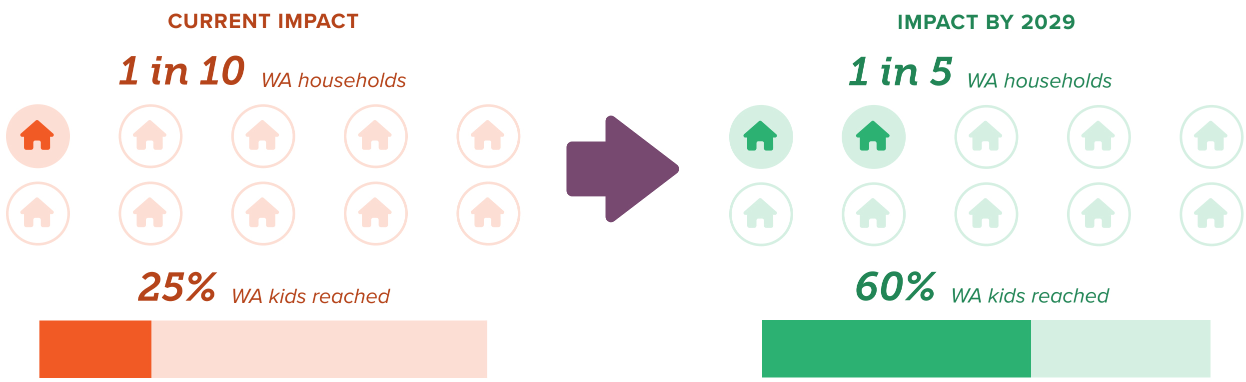

Healthcare

3 It will provide a cash boost to more households

The tax will help support an expansion to the Working Families Tax Credit program – which provides an annual tax refund to families across Washington. With the expansion, 460,000 more households can receive cash back to use however they need. The following groups will benefit from this expansion:

- Young adults ages 18 to 24 and seniors over 65 years old who don't have any qualifying children
- More households with low and moderate incomes, who previously made too much to qualify

When the state Working Families Tax Credit expansion goes into effect, more than twice as many households will qualify for this annual cash boost.



4 It will provide tax exemptions and credits to small businesses and everyday people

The Millionaires Tax will fund the largest tax break for small businesses in state history. It will also remove sales tax on some basic needs that are becoming increasingly unaffordable for people across our state. This tax:

- More than doubles the Business & Occupation (B&O) tax credit for small businesses, so businesses with less than $250,000 in gross receipts will no longer need to file or pay B &O tax.
- Eliminates a recently enacted sales tax on selected services, including information technology, security, staffing, and live-event services.
- Eliminates the sales tax on certain essential items for everyday people, like over-the-counter drugs, hygiene products, and diapers.

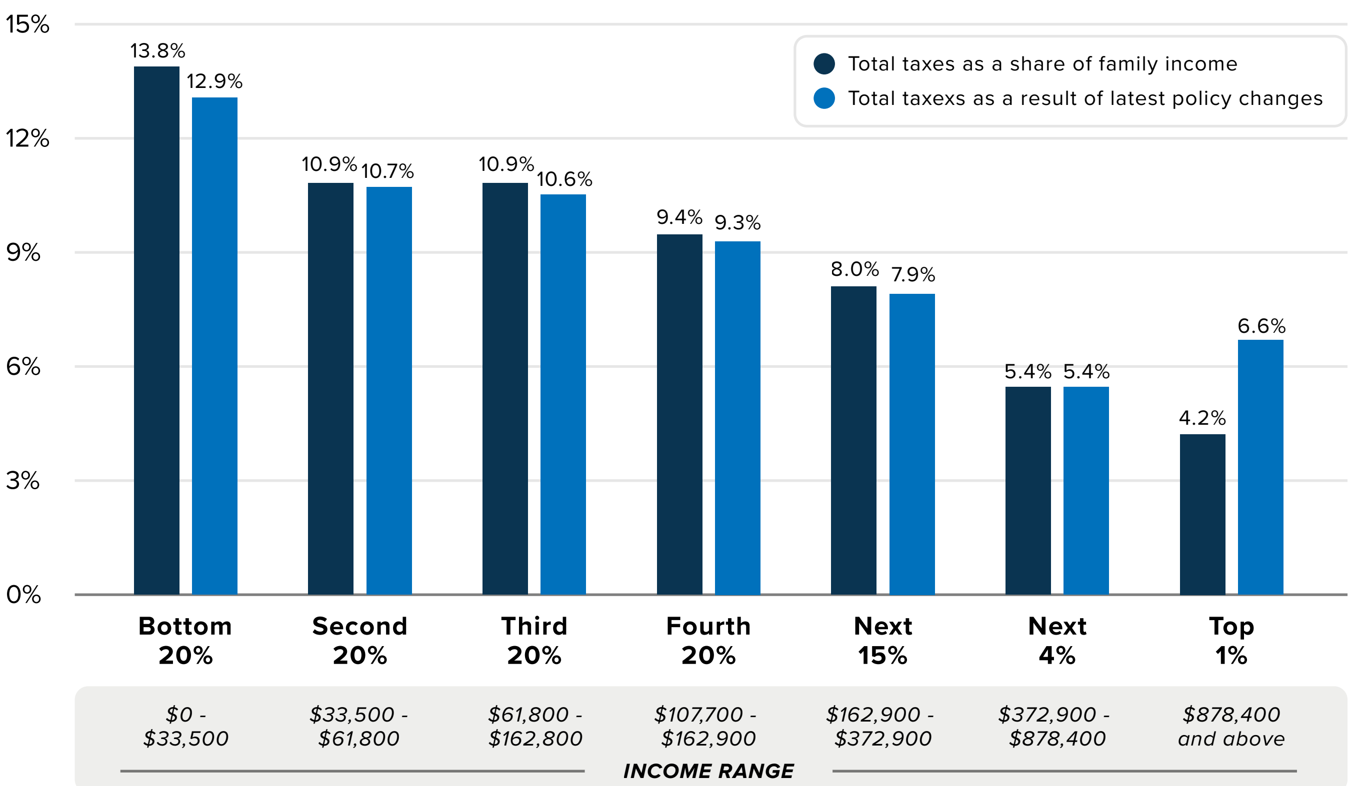
"This tax will fund the largest tax break for small businesses in Washington state history"

5 It will help rebalance our state's inequitable tax code

Washington's tax code is upside down, meaning everyday people are currently paying a greater percentage of their annual income in state and local taxes than the wealthiest households. As a result, we are seeing large, ongoing revenue shortfalls in our state budget that result in harmful funding cuts for important public programs.

The Millionaires Tax will make progress toward rebalancing the tax code by ensuring that the ultra-wealthy pay more of their share in taxes and ensuring more people with low and moderate incomes receive a tax credit through the expanded Working Families Tax Credit.

Washington Millionaires Tax and Enhanced WFTC Provide Important Steps Toward a More Equitable Tax System



Note: This analysis updates Washington's Who Pays? result, capturing major changes since 2024 and the major tax components included in SB 6346 - the Millionaires' Tax, Working Families Tax Credit expansion sales tax exemptions, and Business & Occupations Tax effects - based on ITEP's review of the statutory language of the bill and fiscal note.

Source: Institute on Taxation and Economic Policy Tax Microsimulation Model, March 2026

Endnotes:

1 The Millionaires Tax will take effect on January 1, 2028. This means that the first tax returns and payments for 2028 taxable income will be due in April 2029. Revenue from the tax will begin January 1, 2029.