A capital gain is the profit an individual receives from the sale of financial assets.

Why Tax Capital Gains?

1. A capital gains tax could generate $800 million in revenue to spend on Washington schools.

2. To help create a more equitable tax system.

3. Create a more stable & dependable tax system.

4. Create a more resilient tax system.

Almost all of the tax would be paid by the richest 1% of Washingtonians.

The additional revenue from a capital gains tax would create a more robust rainy day fund.

The stock market has recovered more than other parts of the economy.

The tax change as a percent of income for different income ranges.
MOST STATES ALREADY TAX CAPITAL GAINS

WASHINGTON, DC, TOO

STATES THAT TAX CAPITAL GAINS

STATES THAT DON’T TAX CAPITAL GAINS

THE TRUTH ABOUT A CAPITAL GAINS TAX

1. TAXING CAPITAL GAINS WON’T HARM THE ECONOMY

2. THE RICH WON’T MOVE TO AVOID THE TAX

Taxes don’t influence interstate moves. People move to live in a good climate, have access to high-quality schools, and to lower their housing costs.

3. THE TAX WOULD NOT APPLY TO MANY COMMON INVESTMENTS

FOR MORE INFORMATION ON THE WASHINGTON STATE BUDGET AND POLICY CENTER & OTHER RESEARCH VISIT: www.budgetandpolicy.org

SOURCES: 1. Budget & Policy Center analysis; data from IRS - Sales of Capital Assets. 2. Institute on Taxation and Economic Policy Microsimulation Tax Model, January 2015. 3. Budget & Policy Center analysis; data from IRS and ERFC. 4. Budget & Policy Center analysis; data from Federal Reserve Economic Data, Bureau of Labor Statistics | “National Consumer spending and Wages & Salary data, Washington state non-farm employment. 5. Budget & Policy Center analysis of Federation of Tax Administrators data. 6. Citizens for Tax Justice and BEA. Log Real Investment vs. top federal capital gains tax rate. 7. Michael Mazorov, “State Taxes Have a Negligible Impact on Americans’ Interstate Moves,” Center on Budget and Policy Priorities. Revised May 21, 2014. http://www.cbpp.org/cms/index.cfm?fa=view&id=4141. 8. The first $500,000 in gains for a married couple ($250,000 per single filer) from the sale of a principal residence are exempt from federal capital gains taxes – an exemption that would carry over to the state capital gains tax. In addition, Governor Inslee provided an expanded exemption for gains on the sale of a second rental home, provided the owner previously lived in it for at least 10 years and owned it for at least 20 years. 9. Governor Inslee’s proposal would exempt all gains from the sale of farmland owned for at least 10 years, along with agricultural equipment, timber, and depreciable business equipment and property. Gains from the sale of cattle and breeding livestock held for at least 12 months would also be exempt. 10. Under federal law, all capital gains taxes on unsold assets are forgiven at death. This provisions would automatically carry over to the proposed state capital gains tax. Those who inherit financial assets would not owe any taxes until the assets were sold. And tax would only be assessed on gains in excess of $50,000 ($25,000 for singles) that occurred since the time when the assets were inherited. They would not be assessed on the full life of the assets. 11. Gifts of stock to a charity or nonprofit organization are not subject to federal capital gains taxes and wouldn’t be subject to the Washington state capital gains tax either. Gifts of stock can be deducted from federal income taxes.