

# THE SPOKESMAN-REVIEW

## Washington Doesn't Need an Income Tax

by Paul Guppy  
May 30, 2010



This fall Washington voters will likely again be asked to pass a state income tax.

Tax proponents want to impose a tax of 5 percent on people with yearly incomes over \$200,000 and on couples with incomes over \$400,000. The rate would rise to 9 percent at the \$500,000 and \$1 million levels.

Supporters have until July 2 to collect 241,153 signatures. Given well-heeled backers like labor unions and Bill Gates Sr., they will almost certainly make the deadline.

The initiative would reduce the state property tax by 20 percent and increase the business tax credit to \$4,800 a year. In this economy any tax cut is welcome, but the levels proposed here are not significant. The state makes up about a fourth of property tax bills, so the net reduction would be only 4 percent. Average homeowner savings would be \$180 a year or less, or about the cost of a latte a week. Reducing small business taxes would help create jobs, but to do that Olympia could simply lower business and occupation tax rates, without adding an income tax on top.

Voters have rejected a state income tax four times before, and with good reason. As a high-tax state, not taxing incomes is one of the few comparative advantages Washington retains. An income tax is a sure way to send businesses and investors elsewhere.

Tax backers are skeptical that rich people would leave. New Jersey has an income tax and found that between 2004 and 2008 the household wealth of out-migrants exceeded that of new arrivals by \$70 billion. "If you tax them they will leave," is how their new governor put it. The Hill newspaper reports, "... studies show top earners – the 1 percent of taxpayers paying 40 percent of income tax – are fleeing the Garden State."

Backers say an income tax would stabilize revenues, but income tax states like California have worse deficits than ours. They call it tax reform, but it doesn't change our three-legged structure of property, sales and B&O taxes – it just adds a fourth leg.

Tax proponents say the income tax would hit only 3 percent of earners. Sure, all new taxes start small. The gas tax, the sales tax, property taxes – these were all modest at first. Once in place, an income tax could, and probably would, be extended to more people.

Tax proponents say this can't happen because the initiative requires voter approval to extend the tax. That may work for the first two years, when initiatives can't be amended without a supermajority, but after that lawmakers will do whatever they like. In fact, they already have. This year they repealed the Initiative 960 tax limit and promptly passed an \$800 million tax increase. They also raided ("swept" is the term of art) 32 trust funds, some created by voter initiative, and spent the money on general programs.

The initiative is not indexed to inflation, so even without changes it would automatically hit more people every year.

Tax proponents say their initiative represents a net \$1 billion tax increase, with 70 percent going to schools and 30 percent to health care. More revenue won't help schoolchildren. Taxpayers generously provide more than \$10,200 per student, but only 59 cents of every education dollar reaches the classroom. And Congress just enacted a \$1.1 trillion national health care plan, rendering a costly new state program redundant.

Finally, a word about fairness. Tax proponents say it is fair to vote for an income tax. Really? Is it fair to ask 97 percent of people to impose a tax on the remaining 3 percent, especially when proponents promise the majority this is a tax they will never have to pay?

It's one thing to ask citizens to tax themselves for the common good, as happens with school levies, but the appeal by tax proponents isn't about fairness – it's about power. They say, "Let's use government power to get money from those people." This is a cynical, mean-spirited appeal to class differences and soak-the-rich envy, seeking to divide our communities along economic lines.

Real fairness would be for Olympia to match its spending to the considerable revenue the public already provides, presently \$72 billion per two-year budget. Instead of seeking new ways to tax, lawmakers should set priorities and learn to live within their means, just like the rest of us.