

April 27, 2024
NW24-008

To: Northwest Council Representatives
From: Northwest Council's Legislative & Public Affairs Committee
Subject: **PRE-SUBMITTED NEW BUSINESS:** Opposition to I-2109: Repeal Capital Gains Tax

Background

The Northwest Council's Legislative & Public Affairs Committee recommends the NW Council pass a motion in opposition to Initiative 2109 (I-2109), one of three Washington state ballot measures backed by hedge fund millionaire Brian Heywood and state Senator Jim Walsh. If enacted, this measure would abolish the state's capital gains tax on millionaires and billionaires.

Who Pays Capital Gains: Approximately 4,000 households, the wealthiest in the state, are by the capital gains tax law.

Washington's Capital Gains Policy: Washington's capital gains tax is a 7% levy on capital gains exceeding \$250,000 from the sale of stocks, bonds, and other assets. It excludes real estate transactions, retirement account assets, timber and timberland sales, certain agricultural products, commercial fishing privileges, and eligible family-owned small businesses, as outlined by the Department of Revenue. This tax applies to individuals, not business entities. Currently, 42 out of 50 states have a capital gains tax in effect.

What Does the Tax Fund: The capital gains tax generates approximately \$5 billion over six years to support Washington's childcare, education, and early learning initiatives.

Impacts to SPEEA and Working Families: The repeal of the capital gains tax would reduce the state budget by over \$1 billion per biennium. Consequently, state budget planners would need to 1) reduce funding for discretionary programs like higher education, economic development, and public safety, 2) increase taxes on working families, or 3) employ a combination of both options. SPEEA has endorsed policies in favor of childcare affordability, state higher education investment, and economic development programs, which could be jeopardized if I-2109 passes.

PRO:

I-2109 will exacerbate our childcare crisis by diverting billions of dollars allocated to making childcare more affordable and accessible, instead providing tax breaks to Washington's wealthiest individuals. This will place additional financial strain on working families, who may be forced to compensate for the shortfall through property and sales taxes.

CON:

I-2109 will grant tax breaks to Washington's wealthiest households. Some argue that this will attract more wealthy households to the state.

Motion:

It is hereby moved that **THE NORTHWEST COUNCIL OPPOSE I-2109 AND ITS DETRIMENTAL EFFECTS ON WASHINGTON'S CHILD CARE AFFORDABILITY, EDUCATION, AND EARLY LEARNING PROGRAMS.**

Prior to council action (voting) to determine a legislative or public affairs position, the Northwest Council's Legislative & Public Affairs Committee shall investigate and produce both pro and con statements and a majority committee recommendation.

Passage or adoption of any legislative or public issue proposal shall be by published ballot and require a majority vote of all Council Members present.