

REFORMING TAXATION





CHAPTER II

REFORMING TAXATION

1. Support Washington families by enacting tax relief
2. Adopt a constitutional amendment requiring a supermajority vote to raise taxes
3. Do not impose a state income tax, repeal the income tax on capital gains
4. Affirm the state ban on local income taxes
5. Replace the Business and Occupation tax with Single Business Tax
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Policy Recommendation:

1. SUPPORT WASHINGTON FAMILIES BY ENACTING TAX RELIEF

The proper purpose of taxation is to raise money to fund the core functions of government, not expand the power of people in public office. A “fair field and no favors” is a good motto for a strong tax system, without political favors or carve-outs for privileged interest groups. A principled tax system promotes justice because it treats all citizens equally, regardless of social standing, insider dealing or political influence.

The following tax principles provide a fair and effective tax system, one that raises needed revenue for basic government services while minimizing the financial burden lawmakers impose on their fellow citizens:

- Simplicity
- Accountability
- Economic Neutrality
- Equity
- Complementary
- Competitiveness
- Reliability
- Transparency

Washington's current tax structure provides reliable revenue growth. No system is recession-proof, but Washington consistently ranks as having relatively stable tax collections compared to other states. The reason is that Washington's three major tax sources (sales, gross receipts, and property) are among the least volatile elements of the economy. Data shows, however, that a graduated income tax is among the most volatile of revenue sources.

The relative stability of Washington's tax collections has also been noted by Standard & Poor's. The rating firm's July 2022 AA+/Stable bond rating for the state found:

- “The [high] ratings reflect our view of sales tax-based revenue structure, which has demonstrated less sensitivity to economic cycles than income tax-reliant states.”
- “The stable outlook reflects our view that the state's strong budgetary management and forecasting practices help insulate...Washington from budgetary pressures.”
- “The state's legal requirements to enact budgets that are balanced – not only in the current biennium, but subsequent biennia – help provide a sustainable framework to facilitate structural balance throughout economic cycles.”
- “We believe the impact of a repeal of the capital gains [income] tax is minimal, at 0.8% of projected near general fund revenues in each of

fiscal years 2023, 2024, and 2025.”¹

Though reliable, Washington’s tax structure is often criticized for having an undue effect on families compared to businesses. This concern is the result of how lawmakers have layered on new taxation over the years, while providing almost no tax relief. The people of Washington now pay over 50 different taxes at the state and local levels.²

Further, Washington has some of the highest excise taxes in the nation. The state’s sales tax rate has not been reduced since 1982. One tax in particular, the Motor Vehicle Excise Tax (MVET), needs reform because officials do not tax the true value of cars and trucks, instead using inflated values that result in a higher tax.

MVET viewed as unfair

The Motor Vehicle Excise Tax (MVET) is imposed by the Sound Transit agency in King, Pierce, and Snohomish counties, where the majority of Washington residents live. Many families pay the MVET many times in one year, because officials apply it to a wide range of vehicles, including cars, trucks, motorcycles, motor homes, and trailers. Some families pay the tax on as many as five or six different vehicles and trailers every year, resulting in hundreds of dollars in cost per family.

In addition to the high tax burden imposed on families, the MVET is considered unfair because of the artificial method officials use to set a vehicle’s value. Officials use an inflated value schedule instead of true market value to decide the tax burden they impose on vehicle owners. This results in the overvaluing of most vehicles, which enables Sound Transit officials to take more tax revenue from the public unfairly.

Further, some cities impose a car tab tax through local Transportation Benefit Districts (TBDs) but these are flat fees that everyone pays equally regardless of the type of vehicle. Legitimate car tab taxes, whether an MVET or through a TBD, should only fund roads the general public uses. Taxes for transit, already richly funded, should be broad-based and approved separately by voters.

State sales tax rate has not been reduced since 1982

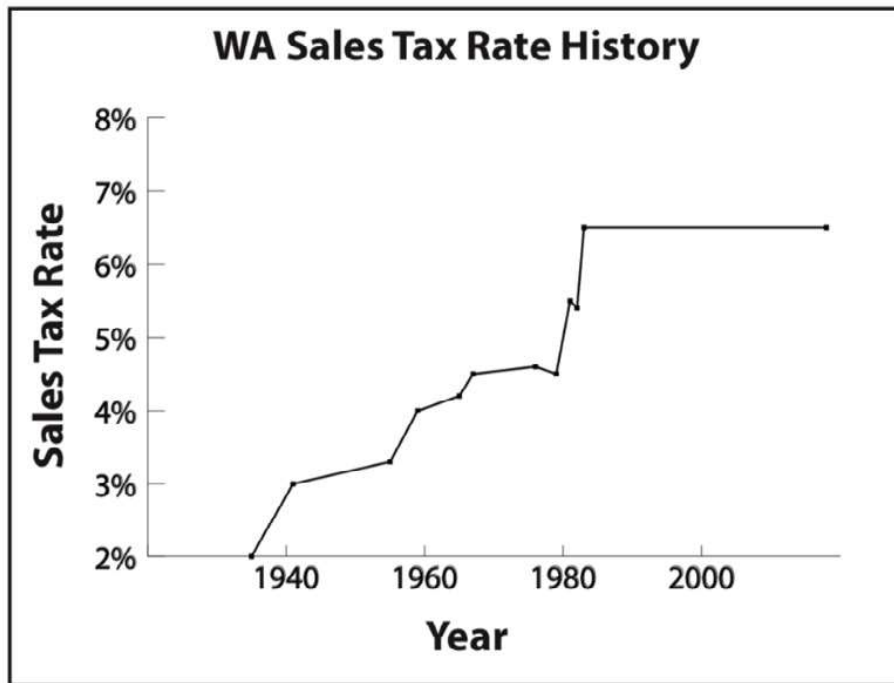
In addition to heavy vehicle taxes, state and local officials impose a high sales tax on Washington residents. The total state and local rate on

consumer purchases, except food and medicine, often exceeds ten percent, one of the highest rates in the country.

In King County, officials impose the highest sales tax rate in the state, making it harder to find work and earn a living in otherwise prosperous urban communities. Public officials force Washingtonians to devote an ever-larger share of household income to funding government agencies and subsidizing public programs by imposing a higher tax rate.

When it was first imposed in 1935, the state sales tax rate was just two percent, a modest rate that most families could afford. The state tax is currently 6.5%, with local sales taxes added on top, and citizens have not seen a rate reduction since 1982, as illustrated below.

Washington sales tax rate history 1935 – 2023



Washington state sales tax rate started at just 2%. Since then lawmakers have more than tripled the tax burden to 6.5%.

Recently, the federal courts have expanded the sales tax base by ruling, in the *Wayfair* case, that state lawmakers can tax out-of-state businesses.³ The larger tax base, the growing state economy and continued large increases

in state revenue growth mean lawmakers are in a good position to provide sales tax relief for Washington families.

Providing property tax relief

As lawmakers and local officials increase total property collections, they increase the amount each property owner must pay. In addition, local officials often ask voters for special levies, saying tax increases are needed to pay for essential public services, even when regular property tax revenue is already increasing. When levies are framed as preventing cuts in schools, parks, and medical services, people feel pressured to vote “yes,” despite the higher cost.

Conclusion

The result is a rising financial burden that falls hardest on people living on fixed incomes, the elderly, the disabled, and the unemployed. Public officials should manage the normal increase in regular tax collections responsibly or use it to provide tax relief rather than seeking more money by increasing the financial burden they place on the most vulnerable people in the community.

Policy Recommendation:

2. ADOPT A CONSTITUTIONAL AMENDMENT REQUIRING A SUPERMAJORITY VOTE TO RAISE TAXES

In February 2013, the state supreme court overturned the voter-approved requirement that proposed tax increases must receive a supermajority vote of the Legislature, or voter approval, to be enacted. When the supreme court strikes down a law passed by the people, the Legislature often seeks to implement what the people want.

Recent examples include Initiative 695, to reduce car tab costs, and Initiative 747, to limit yearly property tax increases. In both cases, after the courts ruled against popular ballot initiatives, lawmakers of both parties joined together to pass bills that carried out the will of the voters.

Ballot measures to limit tax increases consistently receive strong voter support. Approval of Initiative 1366 in 2015 represented the sixth time in 26 years that voters have approved the policy of requiring a supermajority

vote in the Legislature to pass tax increases. Voters passed similar measures in 1993, 1998, 2007, 2010 and 2012. In addition, in 1979 voters approved a revenue limit based on the growth in state personal income (Initiative 62), which required a supermajority vote of lawmakers to exceed the limit.⁴

Supermajority vote requirements are common

Requiring a supermajority vote in the Legislature to increase taxes is not unique to Washington. Seventeen states have some form of supermajority vote requirement for tax increases. Supermajority requirements are common in provisions of Washington's constitution.

The state constitution currently has more than 20 supermajority vote requirements. Several of these provisions have been part of the Washington constitution since statehood. The most recent one was added by lawmakers and confirmed by voters in 2007.

A supermajority vote requirement is not undemocratic

Since supermajority vote restrictions are a common way for the people to place limits on government power, lawmakers should send voters a proposed constitutional amendment to require a supermajority vote in the Legislature to raise taxes. Such a proposal would not be undemocratic. Instead, it would be consistent with existing constitutional precedents for requiring higher vote thresholds for certain government actions.

Conclusion

A statewide poll found that 65 percent of voters want lawmakers to send them a constitutional amendment requiring a supermajority vote to raise taxes.⁵ Voters and lawmakers want reasonable limits on raising taxes. The passage of a constitutional amendment would set this popular commonsense policy in place and decide the matter once and for all, without further interference by the courts.

Policy Recommendation:

3. DO NOT IMPOSE A STATE INCOME TAX, REPEAL THE INCOME TAX ON CAPITAL GAINS

Washington is one of only seven states that do not tax personal incomes (two other states do not tax general income but have narrow taxes on interest). The state's status is now conditional because the Legislature and Governor Inslee have imposed an income tax (which, for legal reasons, they wrongly label an "excise tax") on capital gains.⁶

This is the start of altering Washington state's tax structure, changing it from one that mainly taxes consumption to one that also taxes people's work and productivity.

Each of the 50 states levies different taxes on the people who live, work or travel within its borders. These different types and levels of taxation profoundly affect the actions of residents and business owners, and taxation can significantly impede personal opportunities and economic growth. More than any other type of tax, an income tax can stifle a state's economic growth, destabilize public finances, and limit people's take-home pay.

A graduated income tax is unconstitutional in Washington

Since 1933, the Washington state supreme court has issued several opinions on Article 7, Sections 1 and 2 of the state constitution to require taxation of property, which includes income, to be uniform and limited to a rate of no more than 1%. For example, the state supreme court ruled in 1951, "It is no longer subject to question in this court that income is property."

While there is no ban on a flat income tax of 1%, nearly 90 years of legal precedents show that a graduated or targeted income tax that treats people with different income levels differently is considered unfair and unconstitutional in Washington.

Despite these repeated rulings from the state supreme court, income tax proponents say these rulings are "antiquated." Faced with this argument in 1960, the state supreme court ruled:

“The argument is again pressed upon us that these cases were wrongly decided. The court is unwilling, however, to recede from the position announced in its repeated decisions. Among other things, the attorney general urges that the result should now be different because the state is confronted with a financial crisis. If so, the constitution may be amended by vote of the people.”⁷

With the voters unwilling to amend the constitution to allow an income tax, income tax advocates regularly push the judges to reverse their past rulings.

A state income tax is unpopular

Lawmakers should send voters a crystal-clear state constitutional amendment banning income taxes in Washington. Based on past elections, the people clearly oppose a state income tax and a proposed ban would probably pass. Washington voters have overwhelmingly rejected income tax proposals ten times, including six proposed constitutional amendments.

Here is the record of popular opposition to measures proposing a state income tax:

- 1934 – House Joint Resolution 11..... defeated 43% to 57%
- 1936 – Senate Joint Resolution 7 defeated 22% to 78%
- 1938 – Senate Joint Resolution 5 defeated 33% to 67%
- 1942 – Constitutional Amendment defeated 34% to 66%
- 1944 – Initiative 158 defeated 30% to 70%
- 1970 – House Joint Resolution 42 defeated 32% to 68%
- 1973 – House Joint Resolution 37 defeated 23% to 77%
- 1975 – Initiative 314 defeated 33% to 67%
- 1982 – Initiative 435 defeated 34% to 66%
- 2010 – Initiative 1098 defeated 36% to 64%

In Tennessee, lawmakers wanted to assure citizens that imposing a state income tax was not just one legislative session away. They asked voters to approve a constitutional amendment banning income taxes. As the sponsor of the Tennessee income tax ban explained:

“This is going to help us bring in jobs to Tennessee. We can say not only do we not have an income tax, but we’ll never have an income tax.”⁸

In 2014, Tennessee voters passed the proposal with 66 percent of the vote and the state’s constitutional ban on a state income tax went into effect.

As in Tennessee, lawmakers in Washington should let the people vote on a constitutional amendment that makes our state’s ban on an income tax clear while protecting the ban from being overturned by a surprise court ruling in which judges ignore past legal precedents.

Capital gains taxes are income taxes

Some politicians have called for imposing a state capital gains income tax on the people of Washington state. They claim, however, that this type of tax is an “excise tax” and not an income tax, in hopes of getting around the state constitution’s prohibition on graduated income taxes.

Every state revenue department in the country, however, classifies a capital gains tax as an income tax. Those that tax capital gains do so through their income tax codes. No state taxes capital gains as an “excise tax.” All states without a capital gains tax have one factor in common – no personal income tax.

In response to a congressional inquiry, here is the Internal Revenue Service (IRS) description of a capital gains tax:

“You ask whether a tax on capital gains is considered an excise tax or an income tax. It is an income tax. More specifically, capital gains are treated as income under the tax code and taxed as such.”⁹

Washington’s nonpartisan legislative staff agrees, stating in a bill report for one capital gains tax proposal:

“In addition to the federal tax, capital gains are often subject to state income taxes. Most states do not have separate capital gains tax rates. Instead, most states tax capital gains as ordinary income subject to the state’s income tax rates.”¹⁰

Capital gains income taxes are unstable

Besides being unconstitutional, a capital gains income tax is a bad budget policy. The volatile history of capital gains income taxes in other states shows this taxation does not provide fiscally sound revenue for government services.

As warned by former California Governor Jerry Brown, income taxes on capital gains are extremely volatile. Heeding Governor Brown's recommendation, California voters in 2014 approved a constitutional amendment to restrict the use of capital gains for state spending.

Explaining the impact of the constitutional amendment, the California Legislative Analyst's Office (LAO) said: "This constitutional amendment separates state spending from the rollercoaster of revenue volatility."

In addition, the California's LAO report states:

"Probably the single most direct way to limit the state's exposure to the kind of extreme revenue volatility experienced in the past decade would be to reduce its dependence on the source of income that produced the greatest portion of this revenue volatility – namely, capital gains and perhaps stock options."¹¹

Researchers at Standard and Poor's found that:

"State tax revenue trends have also become more volatile as progressive tax states have come to rely more heavily on capital gains from top earners."¹²

Similarly, analysts at the Washington state Department of Revenue found that:

"Capital gains are extremely volatile from year to year. Revenue from this proposal will depend entirely on fluctuations in the financial markets and can be expected to vary greatly from the amounts presented here."¹³

Having no income tax would benefit Washington's economy

Until recently Washington officials recognized the public benefit of not having a state income tax and not taxing capital gains. Just a few years ago, the state Department of Commerce noted that in Washington:

“We offer businesses some competitive advantages found in few other states. These include no taxes on capital gains or personal or corporate income. We also offer industry-specific tax breaks to spur innovation and growth whenever possible.”¹⁴

Department of Commerce officials warned that imposing an income tax means “one less tool that we have in our economic development toolbox.”

For these reasons officials saw that having no income tax provided Washington with a competitive advantage that promoted a strong business climate, attracted new investment, and benefitted everyone in the state.

Washington’s “excise tax” on capital gains should be repealed

Washington’s imposition of an “excise tax” on capital gains income is simply a way to open the door to imposing a progressive income tax on all income earners in Washington state.

The capital gains tax was challenged in court but was upheld in a surprise 7-2 decision.¹⁵ Instead of basing the decision on the clear text of the state constitution that the tax violated the Uniformity Clause, the majority justices resorted to left-wing talking points about tax regressivity.

Whether or not the tax code is regressive, and whether or not this policy serves the public interest, is a question that should be decided in the elected Legislature, through a democratic process that respects the people’s right to govern themselves. As the dissenting opinion in the case correctly stated:

“A tax is determined by its incidence, not by its legislative label. The structure of the capital gains tax shows that it is a tax on income resulting from certain transactions – not a tax on a transaction *per se*. Therefore, the tax is an income tax, not an excise tax. Under our constitution and case law, an income tax is a property tax. As enacted this income tax or “capital gains tax” violates the one percent levy limit of article VII, section 2.”¹⁶

Conclusion

The Legislature should listen to the people and reverse course on the capital gains tax and repeal the measure. If a majority of lawmakers

believe a progressive income tax is in the public interest of the state, they should propose an amendment to the state constitution that repeals the protections of the Uniformity Clause.

Policy Recommendation:

4. AFFIRM THE STATE BAN ON LOCAL INCOME TAXES

In 1984, the state Legislature adopted RCW 36.65.030, “Tax on net income prohibited,” to prevent cities from imposing a local income tax. Acknowledging this clear restriction, the City Attorney of Seattle reported in a 2014 legal analysis that cities do not have the authority to impose a local income tax.¹⁷

Despite this prohibition, in 2017 the Seattle City Council enacted an income tax anyway, in hopes of creating a test case and getting the courts to ignore their past rulings and allow local income taxes.¹⁸ As expected, a King County Superior Court judge immediately invalidated Seattle’s income tax, noting it was clearly illegal under state law.¹⁹ The Court of Appeals, however, issued a surprising decision on July 15, 2019 in this case.

The Court of Appeals did rule unanimously that Seattle’s graduated income tax was unconstitutional, based on the numerous state supreme court decisions. However, the court also invalidated the prohibition on local governments imposing a flat income tax. This ruling means officials in cities may be able to impose a flat local income tax pending review by the state Supreme Court.

Many lawmakers say they oppose an income tax, but they took no action on HB 1588 during the 2019 Legislative session. HB 1588 would have provided:

“The Legislature restates its refusal to delegate to a city, county, or city-county, as a whole or as a governing body, the power to impose a tax on the personal income of individuals or households... This prohibition, and the definition of income specifically, are to be construed broadly by any reviewing court to affect the policy of this state that there exist absolute clarity and certainty in state law that there is no local government authority to levy any form of income tax on individuals or households.”²⁰

Conclusion

Banning local income taxes would serve the public interest by helping to maintain the state's competitive advantage of having no income taxes. Lawmakers should re-affirm the state ban on local income taxes to discourage local officials from trying to imitate Seattle's legal games.

Policy Recommendation:

5. REPLACE THE BUSINESS AND OCCUPATION TAX WITH SINGLE BUSINESS TAX

Washington's Department of Revenue defines the Business and Occupation (B&O) tax as a tax on "gross receipts of all business operating in Washington, for the privilege of engaging in business." Gross receipts refer to the total yearly business income, the total value of sales, or the total value of products, whichever is applicable. The B&O tax is the second-largest source of revenue for the state, after the sales tax.

As a levy on gross receipts, the B&O tax does not allow business owners to deduct the cost of doing business, such as the payments they make for materials, rent, equipment, and wages, when they calculate how much they must pay to the state.

The B&O tax was originally adopted as a "temporary" emergency tax in response to the Great Depression. In 1933 the state Supreme Court upheld the tax, saying:

"This law is, perhaps, not perfect. No tax law yet devised has been entirely fair and just to all in its practical workings. This is an emergency measure, limited by its terms to a two-year period. If it works injustice to some, it will be but temporary, and such temporary injustice, if any, must be borne for the common good."²¹

The justices were wrong. Instead of allowing "injustice," if any, for two years the B&O tax was never replaced and has been in place for 90 years.

A system riddled with preferences

The B&O tax creates severe distortions and puts Washington employers, especially small and start-up businesses, at a competitive disadvantage. To try to mitigate this unfairness, the Legislature has passed numerous special

deductions, credits, and exemptions as a benefit to some industries. At the same time, lawmakers have raised B&O tax rates in order to increase revenue while giving some industries favored treatment. The result is a complex system of high tax rates riddled with hundreds of preferences and special exemptions.

There is a better way - a simple, fair Single Business Tax. While based on total receipts like the B&O tax, a Single Business Tax would eliminate the current system's unfair and confusing tangle of tax rates and preferences and replace it with a simplified system that treats all business owners equally and uses one fair, flat rate.

How it would work

Each year business owners would choose one of three ways to calculate how much tax they owe, and they would be allowed to use the method that results in the lowest tax burden. Business owners would calculate their taxes based on:

1. Total gross receipts minus labor costs or;
2. Total gross receipts minus all production costs except labor or;
3. Sixty percent of total gross receipts.

To find the dollar amount of tax owed the business owner would then multiply the taxable receipts by the Single Business Tax rate. Cities could levy their own business taxes, but the same uniformity standard would apply – any local business tax would have to be based on a single rate applied equally to all business owners, with no loopholes, special exemptions, or political favoritism.

The business owner would send the final amount owed for each taxing jurisdiction to the state in one payment. State officials would then place the revenue from the state business tax in the treasury and distribute the local business tax revenue to different local governments.

A simpler, fairer tax

This proposal would eliminate today's confusing list of over 40 tax rates that state officials impose on business activities every year.²² It would repeal the layers of special-interest tax credits and exemptions that have

built up over the decades and would provide relief to small businesses with low profitability. The Single Business Tax could be phased in over several years to allow citizens and policymakers to adjust to the new system.

Conclusion

Enacting a Single Business Tax would bring simplicity, equity and fairness to Washington's tax code. It would end thousands of hours of compliance time for business owners and ordinary citizens, and encourage job creation and economic growth. At the same time a simple business tax would provide state lawmakers with reliable revenue to fund the core services of government.

Policy Recommendation:

6. CREATE A TAX TRANSPARENCY WEBSITE

There are approximately 1,800 taxing districts in the state whose officials impose various taxes on Washingtonians.²³ There is no single resource, however, to help individuals and businesses learn which taxing districts and rates they are subject to, and how much officials in each taxing district add to their total tax burden. A typical home, for example, can be located in as many as ten different taxing districts.

To help improve the transparency of state and local taxation, state leaders should create an online searchable database of all tax districts and tax rates in the state. The database could be modeled after the state's high-quality budget transparency website: fiscal.wa.gov.

If enacted by state officials, this recommendation would set up an online database where citizens could find their state and local tax rates (such as property and sales taxes) by entering a zip code and street address, or by clicking on a map showing tax district boundaries.

Enhancing trust in government

A free online calculator would allow individuals and business owners to estimate their total tax burden and know which officials are responsible for imposing each tax. To facilitate a searchable database, taxing districts would report their tax rates to the state annually and report any changes in their tax rates within 30 days of imposing rate changes.

In 2023 the Legislature funded a study on creating a tax transparency website. Lawmakers directed staff at the Department of Revenue to draft a plan to create a searchable online tax database and report to the Legislature by June 2024. The instructions to the Department of Revenue say:

“\$250,000 of the general fund – state appropriation for fiscal year 2024 is provided solely for the department to develop an implementation plan for an online searchable database of all taxes and tax rates in the state for each taxing district.

“A report summarizing options, estimated costs, and timelines to implement each option must be submitted to the appropriate committees of the legislature by June 30, 2024.

“The implementation plan must include an array of options, including low cost options that may change the scope of the database. However, each low cost option must still provide ease of public access to state and local tax information that is currently difficult for the public to collect and efficiently navigate.”

Increasing the ease of public access to state and local tax rates would enhance trust in government and increase the public’s understanding of the cost of government services. Improved transparency would also promote healthy tax competition among geographic areas. Citizens could compare different tax burdens imposed by local officials based on where they decide to live or locate their businesses.

Conclusion

Lawmakers should ensure this bipartisan proposal to create an online searchable website of all state tax districts and tax rates is implemented quickly and fairly. In that way citizens can hold their elected representatives responsible for the decisions officials make in running the government.

Policy Recommendation:

7. CUT THE STATE SALES TAX

Governor Inslee and state lawmakers of both parties regularly say they want to help the people of our state. In particular, lawmakers on the left complain the tax code is too “regressive” and call for imposing a state

income tax, yet they do nothing to reduce regressive taxes that already fall hardest on low-income families.

There is one direct and easy way for state leaders to reduce regressivity and help the poorest families in the state: cut the state sales tax.

The state can afford to reduce the tax burden

Official reports show elected officials expect to receive large budget surpluses over the next four years, over and above the current \$69 billion state operating budget. Naturally, special interests would like Olympia to spend every dollar, but lawmakers should think first about the taxpayers who earned the money before it was taxed away from them.

Returning part of the surplus in the form of tax reduction would leave billions of dollars in reserve and provide a healthy four-year budget outlook, more than enough to pay for education, public safety and other vital services. There would even be enough revenue to fund another pay raise for elected officials.²⁴

A sales tax cut is long overdue

The state sales tax started in the 1930s at a low rate of 2%. Over the decades, lawmakers gradually increased the rate so that now it has more than tripled, to 6.5%. Local governments are allowed to add to the state tax, bringing the sales tax in King County, for example, to over 10%.

The last time lawmakers and a governor cut the sales tax was in 1982, over 40 years ago. Back then gas was 90 cents a gallon, a carton of eggs cost 79 cents, and a new luxury car cost \$13,000.

The world is very different today. One of the major problems people now face that no one anticipated back then was that the Legislature would impose such a high state sales tax.

The Legislature has also added a carbon tax and regressive new payroll taxes that further reduce people's take-home pay. Given the many daily expenses working families face, reducing the financial burden the government imposes would directly help those who need it most.

Four reasons to pass a sales tax cut

There are four sound reasons why a sales-tax-reduction policy makes sense. First, the state has plenty of money – a massive surplus – more than enough to provide working families and business owners with modest tax relief. Each one-tenth of a percent reduction in the sales tax rate would provide over \$300 million in tax relief every year. Reducing the sales tax rate by one percentage point, from 6.5% to 5.5%, would only “cost” the state about \$3 billion.

Second, most of the benefit would go to middle-class and working families, particularly to the poor and elderly people living on fixed incomes. It would make everything, from clothing to housing, more affordable.

Third, a sales tax cut would make the tax code more fair. The sales tax is one of the most regressive taxes that lawmakers impose. The rich barely notice it, but it adds a major burden on families that must spend most of their income on daily needs.

Fourth, a sales tax cut would fight inflation across the board. Recently inflation has been as bad as it was when Jimmy Carter was president. Polls show that rising prices are one of the top economic worries families face.²⁵ Cutting the sales tax would have the immediate benefit of easing inflation in nearly every area of life.

Reducing taxes would promote civic unity

There is an important civic reason for elected officials to come together behind broad-based tax relief. State politics are sharply divided, and the name-calling and partisan finger-pointing is meaner than ever.

Reducing the burden of taxation is popular and has bipartisan appeal, as shown by a bill introduced recently by Democratic Senator Mona Das.²⁶ That is because everyone living in every community would benefit. In fact, people living in heavily urban areas would benefit even more, because the cost of living there is already so high.

The public’s confidence in government institutions is at a near-record low.²⁷ A broad-based tax cut would show that public officials understand the stresses that families face. Greater public confidence would strengthen democracy and restore a sense that our elected leaders can work across party lines.

Conclusion

Cutting a regressive tax is one topic on which nearly everyone can agree. A lower sales tax rate would help small retailers and low-income workers, and help make family budgets stretch further. Most importantly, reducing the tax burden would promote social unity, help restore trust in public institutions and make Washington a better place to live for everyone.

ADDITIONAL RESOURCES

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ENDNOTES

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