

It takes a village to collect \$1.2 billion tax increase

By JASON MERCIER | BLOG | Oct 7, 2019

Although state revenues were already projected to increase by nearly \$5 billion, lawmakers last session raised taxes by more than \$1 billion. We now know thanks to the Department of Revenue's (DOR) supplemental budget request, that it takes a village to collect a tax increase of this size. As reported by Jerry Cornfield:

"The Department of Revenue says it needs 44 more people — 17 now and another 27 in the next fiscal year — to handle added responsibilities created by 32 revenue bills signed into law earlier this year.

Agency leaders want to hire information specialists to help taxpayers understand what they may owe, examiners and auditors to ensure compliance with the laws, and legal support for an expected increase in appeals and other disputes.

They are asking for \$4.1 million in the 2020 supplemental budget to cover the added costs."

DOR's supplemental budget request mentioned 32 revenue bills were adopted last session. Here are some of those tax increases DOR is asking for more staffing to help administer:

- HB 2158 (“off-budget”) – B&O increase on select professional services: \$380 million
- SB 5998 – Graduated Real Estate Excise tax: \$245 million
- HB 2167 (Title Only bill) – B&O increase on banks: \$133 million
- SB 5581 – Sales tax nexus change related to Wayfair ruling: \$116 million
- SB 6016 – B&O changes for international investment management companies: \$59 million
- SB 5997 – Changes to non-resident sales tax exemption: \$54 million
- HB 1873 – Vaping tax: \$27 million
- SB 6004 – B&O tax increase for travel agents: \$5 million

Let’s not forget that one of those tax increases (HB 2167) was rushed through as a Title Only bill, imposing a constitutionally-suspect tax increase in the waning hours of session.

Indicating that the legislature may not be done raising taxes in the near future, the adopted budget also includes \$2 million for the Department of Revenue to facilitate a tax structure study that is tasked with looking at the possibility of a corporate income tax among other things (Section 137 (2)(c)).

While lawmakers consider DOR’s staffing request to help administer the \$1.2 billion tax increase, let’s hope they don’t follow up with a dismal encore performance next session by ramming through an illegal income tax on capital gains. One can only imagine the massive staffing that would be needed to navigate the legal and administrative hurdles imposing a capital gains income tax would require.

Additional Information

IRS: Capital gains tax "is an income tax"

State Revenue Departments Describe Capital Gains Income Taxes

State tax officials across country agree – capital gains income taxes are extremely volatile and unpredictable

WA Department of Commerce: No state income tax "is great marketing" for Washington

A Capital Gains Tax IS an Income Tax: Irrefutable Proof in About Two Minutes (short video)

BAD POLICY: An Income Tax on Capital Gains for Washington (short video)