

POLICY NOTE

Initiative 1475, to reduce the state's sales tax rate from 6.5% to 5.5%

By Jason Mercier, Director, Center for Government Reform

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Key Findings

1. Initiative 1475 is an initiative to the legislature that would reduce the state sales tax by one percentage point, from 6.5% to 5.5%.
2. If the measure gains enough signatures lawmakers can adopt it next session, propose an alternative or take no action.
3. If lawmakers do not pass the initiative it will be placed on the November 2023 ballot, possibly with an alternative.
4. Local sales tax rates would not be affected.
5. Initiative 1475 would implement that same tax-cut policy that was proposed, but not passed, by a bipartisan bill introduced in 2022.

Introduction

A group of concerned citizens called Let's Go Washington is gathering signatures for a proposed people's initiative to the legislature, Initiative 1475, which would reduce the state sales tax rate from 6.5% to 5.5%, providing substantial tax relief to every person living in the state.¹

The initiative is the same policy that was proposed by SB 5932, a bipartisan bill introduced during the 2022 legislative session.² The bill was not acted on by the legislature. The current sales tax rate of 6.5% has not been changed since 1982.

Initiative sponsors need to collect 324,516 valid signatures (8% of the votes cast in the last election for governor) to submit Initiative 1475 for consideration in the 2023 legislative session. The signatures must be received by the Secretary of State's office by December 31, 2022.³

If the measure qualifies lawmakers have three choices:⁴

- They can enact the initiative into law as is (the governor's signature is not required);
- They can take no action in which case the initiative is forwarded to voters on the November 2023 ballot. If voters approve the initiative it becomes law;
- They can pass their own alternative version, in which case both versions, the original and the legislature's, will appear on the November 2023 ballot. Voters will first decide if either version should become law and, if so, indicate on the same ballot which one should pass.

1 "I-1475, Trim the Sales Tax 1%," The Initiatives, Let's Go Washington, accessed October 24, 2022, at <https://letsgowashington.com/initiatives/>.

2 SB 5932, "Reducing the state sales and use tax rate," introduced by Sen. Mona Das (D-Kent), Washington State Legislature, January 21, 2022, at <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Senate%20Bills/5932.pdf?q=20221024121654>.

3 "Initiatives and Referenda Handbook – 2022," Elections Division, Office of the Secretary of State, Washington State, accessed October 20, 2022, at https://www.sos.wa.gov/_assets/elections/initiatives/initiative-and-referenda-handbook-2022.pdf.

4 Ibid.

Text of Initiative 1475

The text of Initiative 1475 provides that, starting 30 days after passage, the state sales tax rate would be reduced by one percentage point from 6.5% to 5.5%.⁵ Local sales tax rates would not be affected.

Here is the official ballot title for Initiative 1475:⁶

Ballot Title

“Initiative Measure No. 1475 concerns reducing the state retail sales and use tax rates. This measure would reduce the state retail sales and use tax rates from 6.5 percent to 5.5 percent. Should this measure be enacted into law?”

Ballot Measure Summary

“The measure would reduce the state retail sales and use tax rates from 6.5 percent to 5.5 percent. It would state that the 10-year expiration and performance statement requirements for new tax preferences do not apply to this rate reduction.”

Policy analysis

This is the same sales tax cut policy that was proposed by SB 5932. The prime sponsor, Senate Democratic Majority Caucus Vice Chair Mona Das, said this about her proposed sales tax cut:⁷

“Thanks to our federal, state and local leaders’ careful stewardship during this pandemic – and the public resilience throughout our communities – we are in a strong place financially. We should seize this opportunity to live up to our values of a full, equitable recovery and reduce the sales-and-use tax that burdens lower- and middle-income families... We need to take a serious look at tax relief for all working Washingtonians. And this is the year to do it.”

A fiscal note for SB 5932 estimated that it would provide more than \$4.5 billion in tax relief during the 2023-25 biennium.⁸

Conclusion

With a balanced budget, billions in reserves, and revenue projections continuing to exceed expectations, the case for broad-based tax relief is overwhelming. Initiative 1475 would provide the same sales tax relief as originally

5 “I-1475, Trim the Sales Tax 1%,” Initiative Full Text, The Initiatives, Let’s Go Washington, accessed October 24, 2022, at <https://letsgowashington.com/i-1475/>, and “Initiative Measure No. 1475,” Office of the Secretary of State, Washington State, March 30, 2022, at https://www.sos.wa.gov/_assets/elections/initiatives/finaltext_2624.pdf.

6 “Initiative 1475, Ballot Title and Ballot Measure Summary,” Office of the Attorney General, Washington State, April 13, 2022, at https://www.sos.wa.gov/_assets/elections/initiatives/ballottitleletter_2624.pdf.

7 “Das proposes legislation to cut sales taxes in two ways,” news release, Office of Senator Mona Das (D-Kent), January 21, 2022, at <https://senatedemocrats.wa.gov/das/2022/01/21/das-proposes-legislation-to-cut-sales-taxes-in-two-ways/>.

8 SB 5932, “Fiscal Note, Sales and Use Tax Rate,” FY 23-25, Washington State Department of Revenue, January 2021, at <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=64594>.



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proposed by the bipartisan bill SB 5932. Every person living in Washington state would benefit.

As an initiative to the legislature, lawmakers could also propose an alternative sales tax rate reduction if the budget outlook substantially changes by the time they convene next year.