

POLICY BRIEF

Washington's high tax burden and low rate of business formation and survival

By Todd Myers,
Senior Vice President for Research

January 2025

Key Takeaways

1. Washington's tax burden has risen sharply since 2013, despite prior commitments to avoid tax increases, with the state budget growing 51% and property tax collections increasing by 98%.
2. Washington has some of the worst business competitiveness rates in the country, including business formation, friendliness and survival.
3. The state's business tax climate has deteriorated significantly, falling from 6th best in 2014 to 5th worst in 2025, discouraging new business creation.
4. Post-pandemic business recovery lags behind other states, with only three Washington counties experiencing business growth between 2019 and 2023.
5. Major economic centers, including King, Pierce, and Spokane counties, saw negative business growth, worsening the state's economic outlook.
6. Washington's first-year business failure rate is 40.8%, nearly double the national average, with over half of new businesses failing within five years.
7. High taxes and regulatory burdens are key drivers of Washington's economic decline, requiring urgent policy reforms to improve competitiveness and business survival.



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Introduction

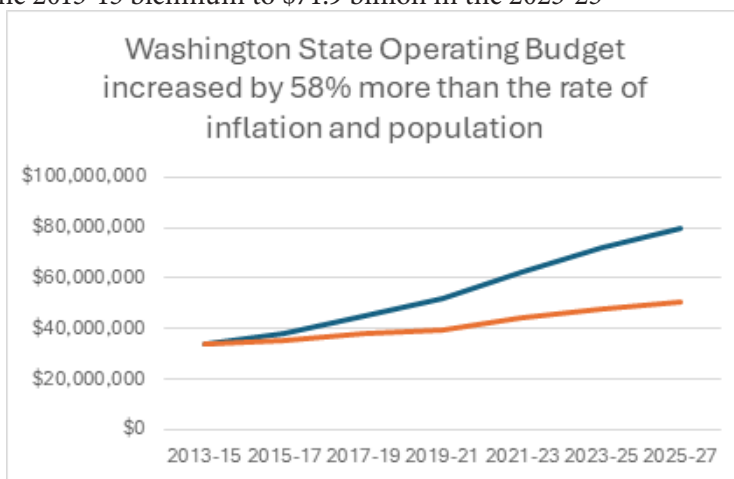
In 2012 candidate Jay Inslee ran on no-new-taxes platform, saying that under his administration economic growth would provide adequate funding for public services, without imposing new taxes or increasing tax rates. At the time Inslee pledged, “I do not believe tax increases are the right path for the state of Washington.”¹ Since that time tax revenue increased significantly due to tax increases, inflation and other factors.

Overall, since 2013, Washington’s tax burden increased significantly, and tax competitiveness declined dramatically.

Total revenue increases

The [general fund operating budget](#) subject to the outlook (NGF-O) increased from \$33.6 billion in the 2013-15 biennium to \$71.9 billion in the 2023-25 biennium – an increase of 51% after adjusting for inflation and population. For individuals, Washington’s per capita tax burden is \$6,670 – 14th highest in the nation.

There have been significant increases in particular areas of tax collection as well.



In the past decade, state elected leaders sharply increased property tax collections. According to the latest [Tax Reference Manual](#) the state property tax burden increased by 98% adjusted for inflation, increasing from \$1.9 billion to \$4.5 billion.

1 “Inslee says he’ll veto tax increases,” by Jim Brunner, *The Seattle Times*, October 12, 2012.

Washington's low rate of business formation and survival

Washington has the worst rate of business formation and survival in the United States. A [nationwide study](#) of state business climates by CNBC ranked Washington 42nd in “Business Friendliness,” 42nd in “Cost of Living,” and 39th in “Cost of Doing Business.”

Washington's business tax climate worsened dramatically during the past twelve years. The non-partisan Tax Foundation, which ranks state tax competitiveness, [reports that](#) between 2014 and 2025, Washington state fell from having the 6th best business tax climate to the 5th worst in 2025. One result is that Washington has the lowest rate of business formation in the nation and the highest rate of business failure.

In April 2024 the left-leaning Center for American Progress [released a study](#) measuring the rate of new businesses, the number of startups, and the total number of businesses across U.S. states and the percentage increase in the number of private business establishments in counties between 2019 and 2023. The study found that 49 states and most counties in the country were starting to recover from the economic dislocation created by COVID-era lock-downs. In the business-formation data, however, one state stands out: Washington. The study found that from 2019 to 2023 the number of business establishments increased in 85%, or 2,652 out of 3,141, U.S. counties. Only three of those business-growth counties, Wakiakum, San Juan, and Island, were located in Washington state (see map below).

Washington's largest counties, such as King, Pierce, Snohomish, Clark, and Spokane, all experienced negative private business growth rates over the four-year period of the study.



High business failure rate

Washington's long-term rate of new business failure is one of the highest in the nation. According to [a study examining data from the Bureau of Labor Statistics](#), Washington's 10-year business failure rate is the 8th highest among all states at 67.8% compared to the national average of 65.1%. The five-year business failure rate in Washington is the highest in the nation at 58.9% compared to the average of 48.4%. The first-year failure rates are more volatile. Washington has had the lowest first-year failure rate in the nation in 2024 but had the [highest first-year failure rate in 2023](#). Even in the years of low first-year failure rates, however, Washington ranked at or near the top in both five- and ten-year failure rates.

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About the Author

With more than two decades in environmental policy, **Todd Myers**'s experience includes work on a range of environmental issues, including climate policy, forest health, old-growth forests, and salmon recovery. A former member of the executive team at the Washington State Department of Natural Resources, he is a member of the Puget Sound Salmon Recovery Council.

He is the author of "Time to Think Small: How nimble environmental technologies can solve the planet's biggest problems," which outlines how small technologies are empowering people to protect threatened wildlife species, reduce CO2 emissions, and reduce ocean plastic. His previous book "Eco-Fads: How the Rise of Trendy Environmentalism Is Harming the Environment" documented how our environmental policies are driven by a desire to look good rather than to help the environment.

His writing has appeared in the Wall Street Journal, National Review, Seattle Times, and USA Today, and he has appeared on numerous news networks including CNBC, Fox News, the BBC, and CNN. He served as vice president of the Northwest Association of Biomedical Research and received their Distinguished Service Award in 2018 for his support of bioscience. He has also served as president of the Prescription Drug Assistance Foundation, a nonprofit providing medicines to low-income patients.

In 2021, Myers served as president of his local beekeeping club in his quest to build an army of stinging insects at his command. He has a bachelor's degree in politics from Whitman College and a master's degree in Russian/International Studies from the Jackson School of International Studies at the University of Washington. He and his wife Maria live in the Cascade Mountains in Washington state with 200,000 honeybees, and he claims to make an amazing pasta carbonara and an incredible dirty vodka martini with blue-cheese-stuffed olives.