

Yes Virginia, a capital gains tax is an income tax

By JASON MERCIER | BLOG | Dec 11, 2017

Later this week the Governor will release his 2018 supplemental budget. It is possible he will again propose a capital gains tax despite repeatedly saying he is opposed to an income tax. This disconnect reminds me of this short note I recently received:

Dear Jason,

Some of my elected friends in Washington say a capital gains tax isn't an income tax but instead an excise tax. Please tell me the truth, is a capital gains tax an income tax?

Virginia

Virginia, your elected friends are wrong. They have been affected by years of failing to impose a statewide income tax. They do not believe they can win a fair tax fight so they are attempting semantical gymnastics to try to avoid asking the voters to approve a constitutional amendment.

Yes, Virginia, a capital gains tax is an income tax. But don't take my word for it. Every state revenue department across the country says so, including the taxmen toiling in the IRS workshop (not to mention, the Commonwealth of Virginia).

Don't believe a capital gains tax is an income tax? You might as well believe Seattle has the authority to impose a local income tax.

A thousand years from now, Virginia, nay 10 times 10,000 years from now, a capital gains tax will still be an income tax.

Additional Information

State Revenue Departments Describe Capital Gains Income Taxes

Lawmakers receive capital gains tax lesson in Seattle income tax ruling

Lawmakers told not to "call a pig a cow" on capital gains taxes