

Education, Health Care,
Civil Rights & a Healthy Environment



Resources for Kids, the Elderly,
Disabled & Working Families

A COALITION WORKING TO PROTECT OUR QUALITY OF LIFE THROUGH A HUMANE AND BALANCED APPROACH TO OUR STATE'S BUDGET

HB 2563 would enact a 5 percent excise tax on capital gains

What it is:

- Capital gains are profits from selling stocks, bonds, real estate, and other financial assets.
- The bill does not tax all capital gains. The proposal only applies to excessive profits, and would create a 5 percent excise tax that only applies to capital gains over \$10,000 per year (\$5,000 for single filers). The first \$10,000 of profits from selling stocks and assets would be completely exempt from the new tax.

What it is not:

- This does not apply to profits from the sale of a primary home.
- This is not an income tax. It does not apply to paychecks at all.
- This tax on profits from high-end financial transactions does not affect retirement savings, the sale of farmland, charitable giving, or assets left to family members as part of a will.

Who pays:

- Because it is targeted at high-end assets and excessive profits, the bill ensures that the very rich pay their fair share. Most Washington families (97 percent of Washingtonians) won't have to pay anything.
- Using the federal capital gains definition makes it simple for wealthy taxpayers—all information needed would be available on existing federal tax returns.

Why support it:

- In 2010, millionaires received 97 percent of all capital gains. The proposal simply taps into the revenue resources of those most able to pay and directs a small portion to public community services.
- The Bush tax cuts slashed the federal capital gains rate, so even with a new five percent capital gains tax in Washington state, the wealthy will still be paying far less in capital gains taxes than they were only 10 years ago.
- The idea of taxing capital gains is not new: 42 states already tax capital gains. Oregon taxes capital gains at 11 percent and in Idaho the rate is 7.8 percent.
- While the proposal couldn't go into effect soon enough to address our current budget shortfall, once in place it would generate at least \$500 million every year in new job-creating resources.
- This is a long-term proposal that will make our state revenue structure more fair and more predictable.