

Hello and thank you for this opportunity to testify. My name is Dylan Grundman O’Neill, and I’m a Senior State Tax Policy Analyst with the Institute on Taxation and Economic Policy (ITEP), a non-profit, non-partisan research organization with a mission to promote fair, adequate, and sustainable tax systems.

We are in strong support of HB 1496 because it would reduce the extent to which Washington’s tax code worsens economic and racial inequities. Our research shows that in Washington, moreso than in any other state, the higher your income the lower your tax rate. The top 1 percent pay an effective rate of only about 3 percent, while middle-income families pay rates 3 to 4 times that and low-income families pay nearly six times that rate, almost 18% of their incomes.

And not only is Washington’s tax system driving a wedge between the rich and the rest, it’s also widening the racial wealth gap. Black and Indigenous Washingtonians, for example, pay respectively 7 and 11 percent higher tax rates than white households, making pre-tax disparities in income even larger after taxes are applied.

HB 1496 is an opportunity to mitigate these inequities while raising significant new resources to invest in people and communities. The transactions that the excise tax would apply to are almost exclusively carried out by the state’s richest households who have the highest ability to pay. Exempting most homes, retirement accounts, and the first 200-400 thousand dollars of sales ensures the vast majority of Washingtonians will never pay this tax. And the few who would pay are also predominantly white: nationally, about 6.5 percent of Black households and 5.9 percent of Hispanic households own stocks and mutual fund shares, compared to 23.5 percent of white, non-Hispanic households.

Our modeling in Washington bears this out. We find that the tax would be overwhelmingly paid by upper-income white families—who pay a share of Washington taxes that is over 30 percent lower than the share of income they control—and over 99% of the tax would be paid by the top 1% of Washingtonians.

Thank you again,

Dylan Grundman O’Neill (he/they)

Senior State Policy Analyst