

The Seattle Times

Initiative 1077 would make state taxes fairer and create opportunity

By Bill Gates Sr

Special to The Times

THIS year, a typical middle-class family in our state will pay more than 11 percent of its hard-earned income in state and local taxes. Poor families will pay at an even higher rate. Hundreds of thousands of small businesses, already struggling in the current economic downturn, will still have to pay the Business & Occupation tax â€” a tax on the sales of their products and services â€” even when they don't make a single dollar in profit. Meanwhile, our state's wealthiest citizens will pay 2.6 percent of their incomes in state and local taxes.



A system of taxation that requires the middle class to pay quadruple the tax rate of the very wealthy while penalizing job-creating small businesses? That's not just unfair. Frankly, it's appalling.

For years, we have known that our state tax code overtaxes working families, the middle class and small businesses, while giving the wealthy a huge break. A national study by the Institute on Taxation and Economic Policy released just a few months ago again ranked Washington state's tax code dead last â€” 50th out of the 50 states â€” in basic fairness. Yet for years we have lacked the political will to fix this problem.

If the politicians won't tackle it, maybe the people will. For this purpose, I am helping to organize a broad coalition this year to offer real tax reform on the November ballot. Our proposal includes a 20 percent across-the-board cut in the state portion of the property tax, exempts small businesses from the B&O tax, and creates a modest income tax on the wealthiest 3 percent of households, couples earning more than \$400,000 per year and individuals earning more than \$200,000.

This proposal would lower taxes for the vast majority of Washington state residents. Across King County, the average homeowner will see their property taxes reduced by about \$180 a year. By creating a \$4,800 business credit, more than 133,000 small businesses that now pay the B&O will be newly exempted from it, and another 37,000 will receive a significant cut.

Small businesses are the engines of job growth in our economy. Isn't it time we had a tax code that helps, rather than hinders, their ability to get people back to work?

Under this proposal, working and middle-class families will also benefit from better schools and health care. From 1991 to 2006, our investment in K-12 education fell from 17th among states in spending per pupil to 37th. And our schools have only faced further cuts as a result of the economic crisis. By requiring the wealthy to pay their fair share, our initiative will raise about \$1 billion a year, which will be dedicated to a trust fund that will ensure the money is spent on education and health care.

And this measure includes strict accountability and transparency provisions, including regular audits and a requirement that any change to the income-tax thresholds or rates would require a public vote.

This is a common-sense proposal for our coalition of small-business leaders, labor, civic groups and community leaders, but fierce opposition has already started to emerge from a few powerful interests in the state that benefit from the status quo. They are already claiming that rich people will leave the state.

Well, I'm not leaving. Besides, 43 other states already have an income tax â€” including Oregon, Idaho and California â€” and there are plenty of wealthy people in those states.

Moreover, I know many other wealthy citizens who will support this initiative because they know it is best for education and health care. They know it is fair and equitable for them. They know that in the long run, it will build our society so that we realize our economic potential as a state.

I hope you will join me in supporting real tax reform to benefit the middle class and small business in Washington state, while making a much-needed investment in our schools and health systems. It's an idea whose time has finally come.

Bill Gates Sr. is a leading organizer of Washingtonians for Education, Health and Tax Relief, which is a broad coalition working to put a tax-reform measure on the ballot this November.

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