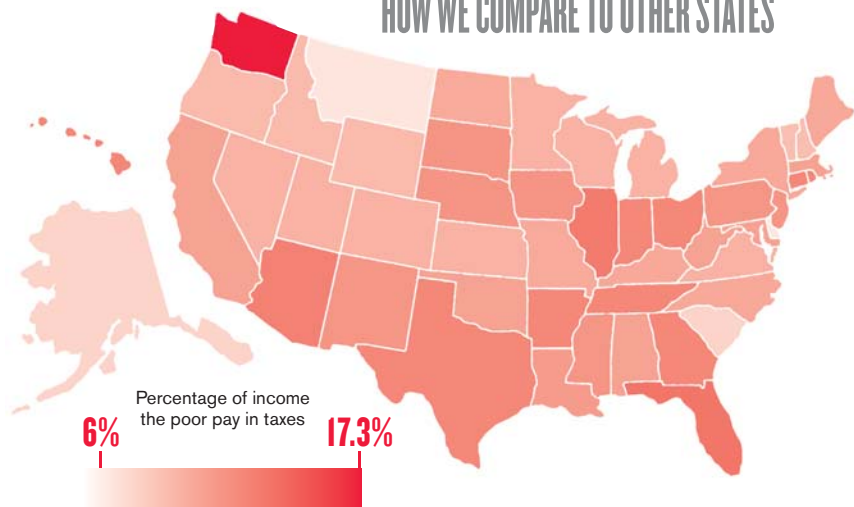


TAX THE FILTHY RICH!

The Case for the Income-Tax Initiative, by the Numbers
BY ELI SANDERS

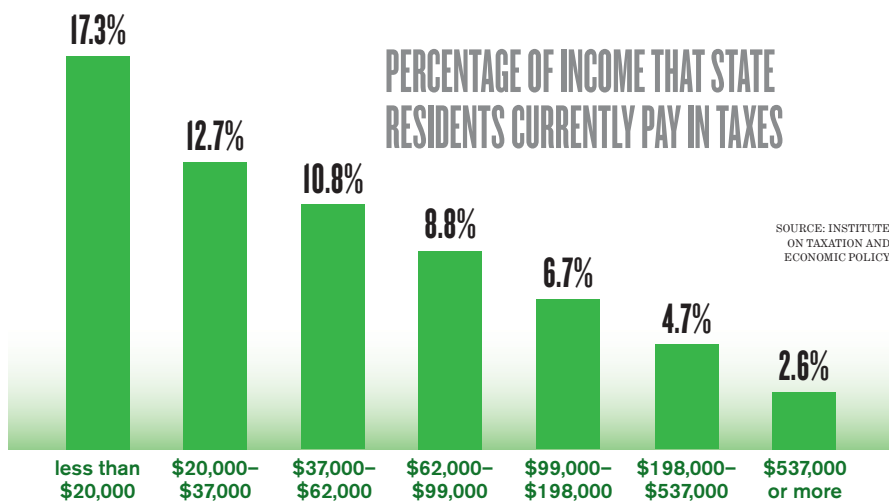
HOW WE COMPARE TO OTHER STATES



SOURCE: SIGHTLINE INSTITUTE

Washington State has the most regressive taxes of any state in the country. In Washington, poor people pay **17.3 percent** of their income in taxes, while the filthy rich pay only **2.6 percent** of their income in taxes. This is the result of our state's heavy reliance on the sales tax, which accounts for over 50 percent of all state revenue. Imagine two families, one rich and one poor, going to the same store and buying the same basket of goods and subjected to the same sales tax. For the poor family, it's a much heavier burden than for the rich family. The sensible way to even out the tax burden is to tax income, like most other states. But Washington doesn't have an income tax. Never has. Hence our status as a national embarrassment—more regressive on taxes than even Texas or Georgia.

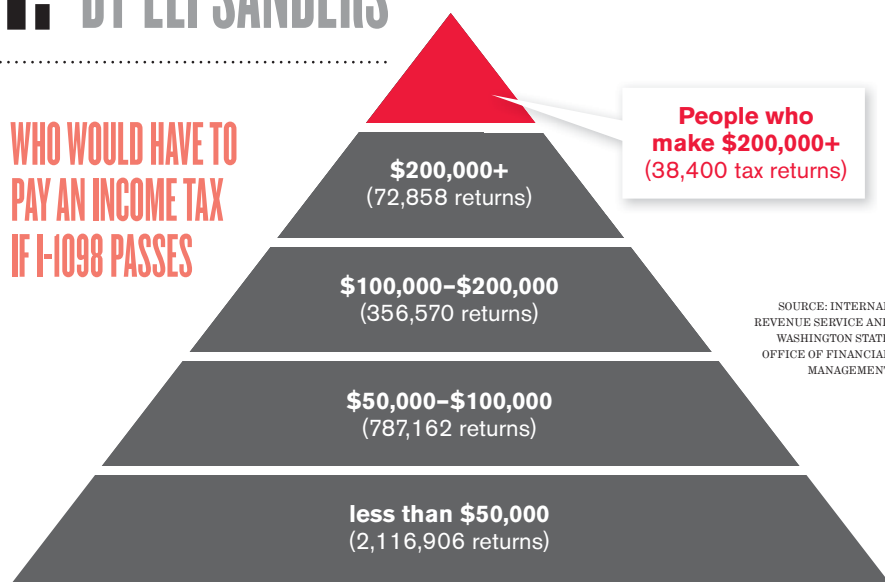
PERCENTAGE OF INCOME THAT STATE RESIDENTS CURRENTLY PAY IN TAXES



SOURCE: INSTITUTE ON TAXATION AND ECONOMIC POLICY

In Washington, **people who earn an average of \$11,000 a year** currently pay 17.3 percent of their income in taxes, but people who earn \$1.8 million a year pay only 2.6 percent of their income in taxes. It's like a sliding scale that's sliding in the wrong direction. Or trickle-up economics. Or a subsidy for moguls and CEOs. Washington currently has a \$3 billion projected budget shortfall for the next two-year budgeting cycle—which means, just like in the last budgeting cycle, programs dealing with **everything from health care to public education** are going to be hacked away at. Perversely, those cuts will land hardest on those who already pay the highest percentage of their income in taxes.

WHO WOULD HAVE TO PAY AN INCOME TAX IF I-1098 PASSES



SOURCE: INTERNAL REVENUE SERVICE AND WASHINGTON STATE OFFICE OF FINANCIAL MANAGEMENT

As the debate heats up over Initiative 1098, you're going to be hearing a lot about "the taxpayers of Washington State." But it's a very small minority of high-income earners—only about 38,400 of them—who would be paying the new income tax. That's because it's a **tax only on individuals who earn over \$200,000 in a year** or on couples who file a joint tax return that shows them collectively earning more than \$400,000 in a year. (Meaning that if you're half of a wealthy couple and together you earn \$399,999 a year, you don't have to pay any income tax under I-1098. Hence that segment of the pyramid, right below the top, where you see 72,858 tax returns from people who earn more than \$200,000 per year but *wouldn't* have to pay. Those are returns from couples who are well-off but don't hit the \$400,000-per-couple threshold.) The new income tax on **the 38,400 wealthiest Washingtonians** would bring in about \$2 billion annually for education and health-care programs—programs that help working families and the middle class the most.

RECENT CUTS TO EDUCATION AND HUMAN SERVICES

47th

Washington State is currently ranked 47th in the nation when it comes to **public-education spending**, according to the U.S. Census.

10%

Funding for public **K-12 education** in Washington has been cut by 4 percent—and for public **higher education** by 10 percent—since 2007.

6%

Meanwhile, funding for **human services** (hospice care, maternal care, drug and alcohol counseling) has been cut by 6 percent and **low-income health care** has been cut by 10 percent.

\$5.1 billion

The total dollar amount we're talking about: \$5.1 billion has been **cut** from state services and programs **over the last three years**.

SOURCE: U.S. CENSUS, WASHINGTON STATE OFFICE OF FINANCIAL MANAGEMENT

Bleak numbers, but this initiative could help. In addition to adding a high-earners income tax, if I-1098 passes, **the rich and poor alike in this state will get a 20 percent cut in their state property taxes.** And **93 percent** of all businesses would get a **tax cut** or an exemption from B&O taxes. Economic stimulus! (This despite claims by opponents that I-1098 is going to hurt businesses in Washington.)

OUR DO-NOTHING, PRO-RICH-PEOPLE LEGISLATURE

*Number of times in history that the Washington State legislature has successfully implemented an income tax

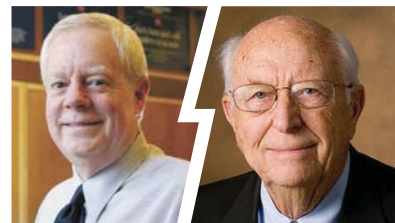


The main argument from income-tax opponents is that I-1098 is just the beginning. Wait a few years, they say, and it won't be just the filthy rich who are paying income tax—it'll be everyone. How will this happen? *The Democrats in the state legislature! They'll expand the income tax! They can't resist!* The truth is, in the entire history of Washington State, the state legislature—whether controlled by Democrats or Republicans—has never successfully implemented an income tax. **Politicians in Olympia are simply too cowardly** to touch this idea. In any case, even if they *did* decide to destroy their careers by taxing more than just the filthy rich, citizens always have the last word. They can reverse an action of the legislature by initiative or, as they seem likely to do this fall, vote for an initiative like I-1053 (also on the ballot in November) that makes it harder for Olympia lawmakers to institute any tax increases in the first place by requiring a two-thirds majority for any such move.

WHO'S FOR IT AND WHO'S AGAINST IT

AGAINST IT

Frank Blethen's *Seattle Times* portrays supporters of the initiative as bloodthirsty, antibusiness vampires.



FOR IT

Bill Gates Sr. is the main mover behind the initiative for a simple reason: "justice."

Who's behind the \$1.5 million campaign against finally fixing the most regressive tax structure in the country? People like Matt McIlwain, the Seattle venture capitalist who was ranked 57th on the *Forbes* Midas List in 2009 and has personally donated \$5,000 (while his venture capital firm has kicked in \$50,000) to defeat I-1098. McIlwain sent his kid to private school and supports the anti-gay-marriage group Families Northwest. Wireless communications magnate John Stanton and his wife, Theresa Gillespie, one of the richest couples in America, estimated to be worth more than \$1 billion, have put in \$75,000 to defeat I-1098. And let's not forget *Seattle Times* publisher Frank Blethen, who earned **\$1.13 million** in salary and bonuses in 1999, according to the *Wall Street Journal*, and whose editorial page has led the rhetorical charge against I-1098. Let's say Blethen now earns only \$1 million a year (times are tough for newspapers) and files a joint tax return. Under I-1098, **Blethen would be paying only 3 percent** of his earned income in taxes. Let's say times have gotten *really* tough and Blethen these days earns only \$500,000 a year. In that case, he'd pay only 1 percent of his income in taxes under I-1098. Boo-hoo. The main mover behind I-1098, **Bill Gates Sr.**, a famous lawyer and philanthropist and father, **has put \$500,000 of his own money into the campaign to pass the high-earners income tax.** He is one of those people at the top of the pyramid, so he would pay the tax. Happily. ■