

## Capital Gains Tax

What is it?

- A tax on the sale of/ gains from stocks and bonds at the end of the tax year.

How is it taxed?

- Every state with a Capital Gains tax, taxes it as income
- Washington State wants to tax it as an excise tax in order to circumvent the income tax ban present in our State's Constitution.

Will it tax my losses also?

- No, it will only tax gains. However, this makes it even more difficult to define as an excise tax.

Since it is hard to define as an excise tax, what happens if it is deemed illegal?

- The tax will have to be removed, but the spending that was green-lighted with the future funds of this tax will remain and we will run into a state funding issue.

What is the tax rate?

- Multiple have been proposed.
  - The house has proposed a 9.9% tax on Capital Gains over \$100,000 for individuals and \$200,000 for households
  - Inslee has proposed a 9 percent tax on capital gains earnings above \$25,000 for individuals and \$50,000 for joint filers.
  - Still awaiting the WA Senate's proposal

Is it legal?

- The IRS defines a Capital Gains Tax as an income tax, which is illegal in Washington State
  - Only if Democrats can successfully define the tax as an excise tax will this be 'legal.' This, however, would require the judiciary to make a very unprecedented move in changing the definition of a Capital Gains Tax.

Do we need this tax to fund our state?

- Short answer: No.
- We have a budget surplus right now of \$1.02 billion. We could successfully fund all of our obligations with no new taxes. This tax is there purely in order to allow us to increase our state spending.
  - This is the first surplus WA has had in 6 years. It would be smarter to monitor spending rather than spend the entire surplus and navigate ourselves into the red.
  - At least some of the surplus revenue could and should be used to shore up the State's depleted rainy day fund, to be used in the next economic downturn or some other emergency situation, like potential earthquake damage.