



Earlier in session the House and Senate Democrats released their respective revenue packages which relied heavily on a new wealth tax. Following the release of their package the Governor held a press conference where he indicated that he would not sign a budget that relied heavily on new and untested taxes, like the wealth tax. In response this week the House and Senate Democrats released a new \$12 billion tax package that relies on an increase in capital gains and estate taxes, increased business and occupation tax rates, new sales taxes on certain services, expanded tax on nicotine products, an increase in surcharges for some companies and a one-time prepayment of sales tax for some big businesses. Please see below for details on the new package:

### **New Revenue Proposals**

#### **Zero-Emission Vehicle Program (Tesla Tax) – [HB 2077 / SB 5811](#)**

- ZEV credits to other manufacturers
- 10% tax on banked credits, treated as sold at the start of each model year
- In 2025, up to 50% tax on pooled credits, based on compliance levels
- May drop to 10% if the manufacturer shows WA ZEV sales are equal to or higher than in other CA-aligned states—benefiting those who exceed WA's EV sales targets
- Taxpayer Impact: TBD
- Projected Revenue:
  - 2025-2027: \$0
  - 2027-2029: \$200,000,000

#### **K-12 Education Funding (Property Tax) – [HB 2049 / SB 5812](#)**

- Revises the definition of limit factor for both state and local property tax levies to mean 100% plus population change and inflation, but not to exceed 103%
- Raise in CY 2026 the amount per pupil limit by \$500, and an add'l 3.3% above inflation in future years through 2030
- Taxpayer Impact: Not available
- Projected Revenue:
  - 2025-2027: \$200,000,000
  - 2027-2029: \$618,000,000

#### **Capital Gains Tax Expansion & Estate Tax – [HB 2082 / SB 5813](#)**

- 9.9% tax rate for on gains over \$1 million
- Increases the exclusion amount of the estate tax to \$3 million
- Taxpayer Impact: TBD
- Projected Revenue:
  - 2025-2027: \$0
  - 2027-2029: \$1,250,000,000

## **Business & Occupation Tax – [HB 2081 / SB 5815](#)**

- Various modifications to B&O rates, ACS rate increase, large corp. & financial institutions surcharges, and Antio.
- Taxpayer Impact: TBD
- Projected Revenue:
  - 2025-2027: \$0
  - 2027-2029: \$6,000,000,000

## **Sales Tax on Services – [SB 5814 / HB 2083](#)**

- Applying sales tax to various services (Advertising, IT services, temporary staffing agencies, security services)
- Businesses with more than \$3 million in sales in 2026 are required to do a prepayment of sales tax in June 2027 of their July 2027 taxes
- This is projected to be roughly \$800 M in pre-payment
- Also proposes to tax synthetic nicotine products like Zyn as tobacco products
- Eliminates certain DAS exclusions
- Taxpayer Impact: TBD
- Projected Revenue:
  - 2025-2027: \$0
  - 2027-2029: \$4,000,000,000

## **Tax Preferences – [SB 5794](#)**

- Repeals various tax exemptions
- Taxpayer Impact: \$15,000
- Projected Revenue:
  - 2025-2027: \$0
  - 2027-2029: \$604,386,000

**Total revenue raised by proposals over 4 years: approximately \$13,275,627,000**

### **Other New Revenue Proposals Include:**

**Increasing funding for K-12, health care, and public safety by repealing or modifying tax preferences for certain industries and goods - [HB 2084](#)**

#### **Gold Bullion and Monetized Bullion**

- Repeals RCW 82.04.062, which excluded sales of precious metal bullion and monetized bullion from the B&O tax base.
- Does not alter any existing rights, liabilities, or obligations established under the repealed statute or any related rule or order. It also does not affect any proceedings initiated under the repealed statute.

#### **Storage Units**

- Every person renting or leasing individual storage space at self-service storage facilities, as defined in RCW 19.150.010, is subject to tax on gross rental income at the following rates:
  - 1.75%, or

- 1.5% if total taxable income in the previous calendar year was under \$1 million, unless combined income with affiliates meets or exceeds \$1 million.
- The exemption for amounts derived from sale of real estate does not include the gross proceeds derived from individual storage space rentals or leases for 30 days or longer.

**Prescription Drugs**

- Increases the B&O tax rate for the warehousing and reselling drugs from 0.138% to 0.484%