



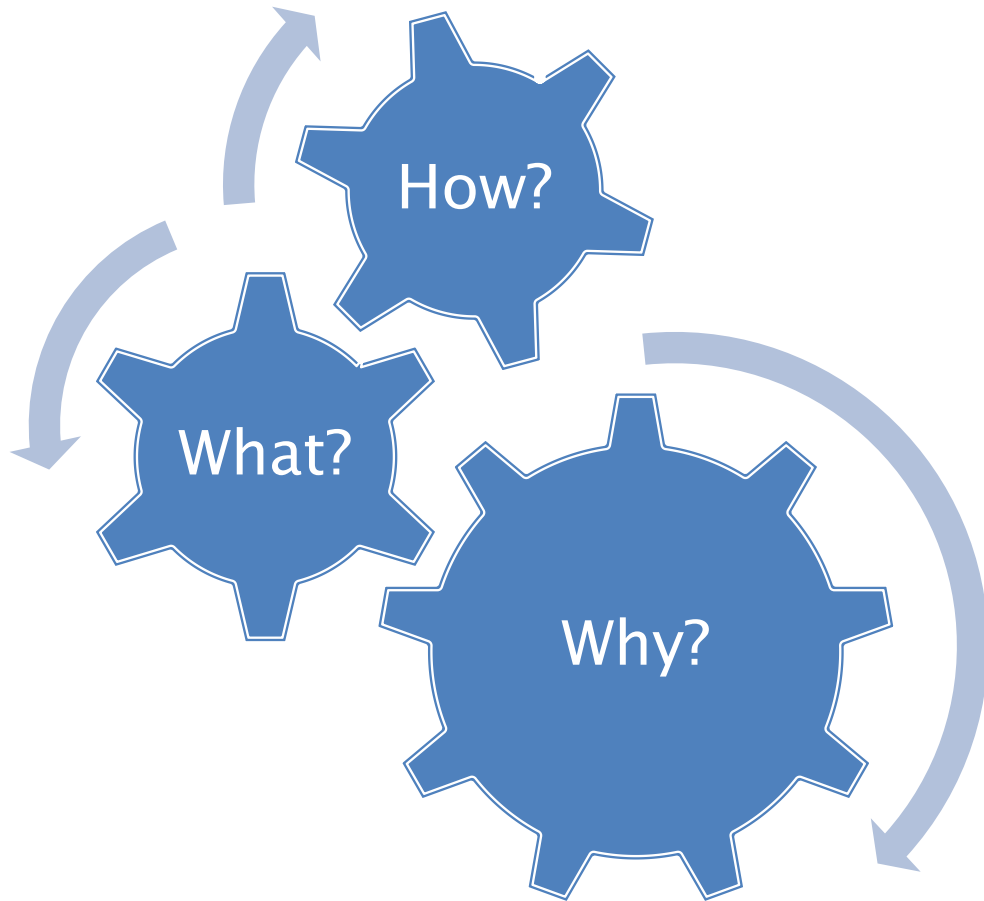
Department of
Revenue
Washington State

*"Working together to
fund Washington's future"*

Tax Alternative Model

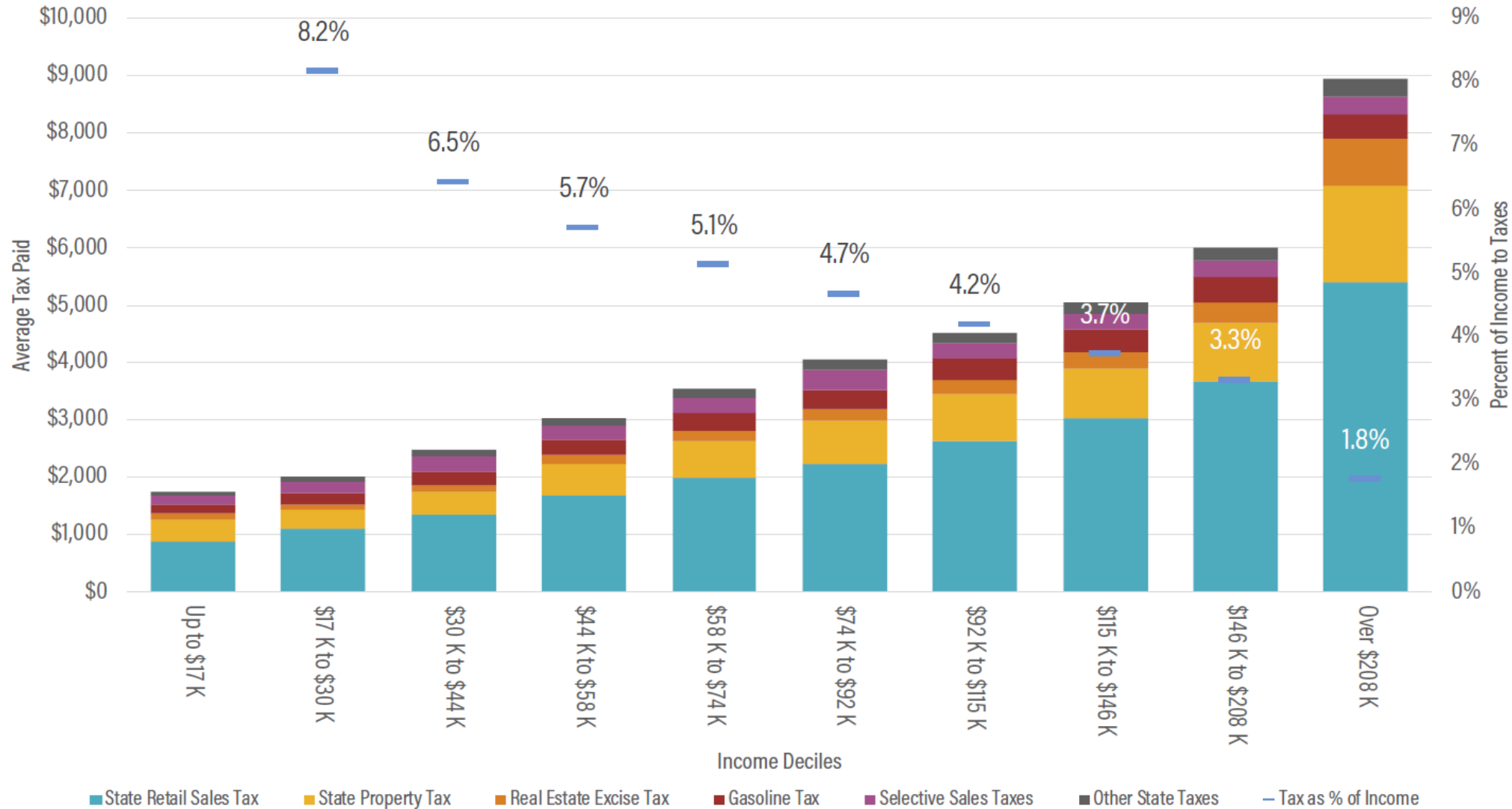
Steve Cleverdon, May 2022

Research & Fiscal Analysis

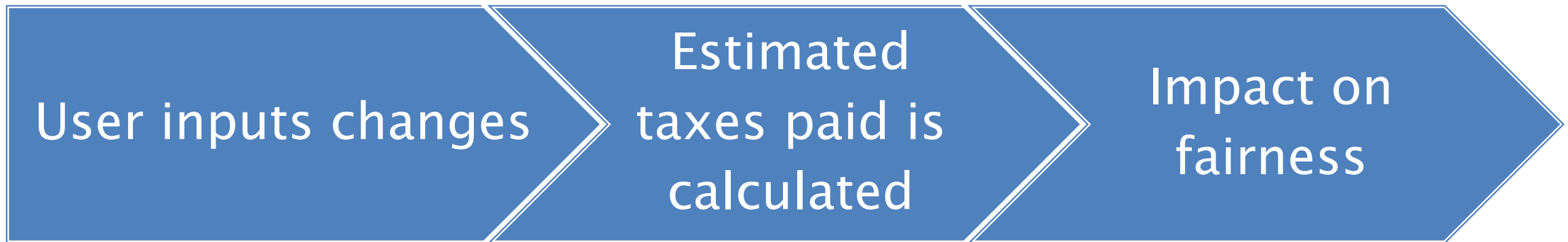


- Previously we called this model the household tax burden model.
- We are updating the model to more recent tax and income data.
- We are adding new things.

An analysis of regressivity/progressivity



Modeling an alternative tax code



Let's run a new scenario

Lower the state retail sales tax rate

- Current rate is 6.5%
- Set the rate to 2.5%
- Will help lower income taxpayers most

State Sales Tax Rate

2.50%

The current state sales tax rate is 6.5%,
and has been effective since March 1, 1983.

Local Sales Tax Rate

2.82%

The weighted average local tax rate for
the selected region.

Create a personal income tax

No Income Tax
 Flat Income Tax
 Graduated Income Tax

Tax Rates

	Rate
Bracket 1: Income up to	<input type="text" value="1.00%"/>
Bracket 2: Bracket 1 up to	<input type="text" value="2.70%"/>
Bracket 3: Bracket 2 up to	<input type="text" value="4.50%"/>

Personal Exemption & Standard Deduction

Standard Deduction - Joint Return	<input type="text" value="\$4,450"/>
Standard Deduction - Single Return	<input type="text" value="\$2,225"/>
Standard Deduction - Head of Household	<input type="text" value="\$3,115"/>
Personal Exemption	<input type="text" value="\$2,350"/>

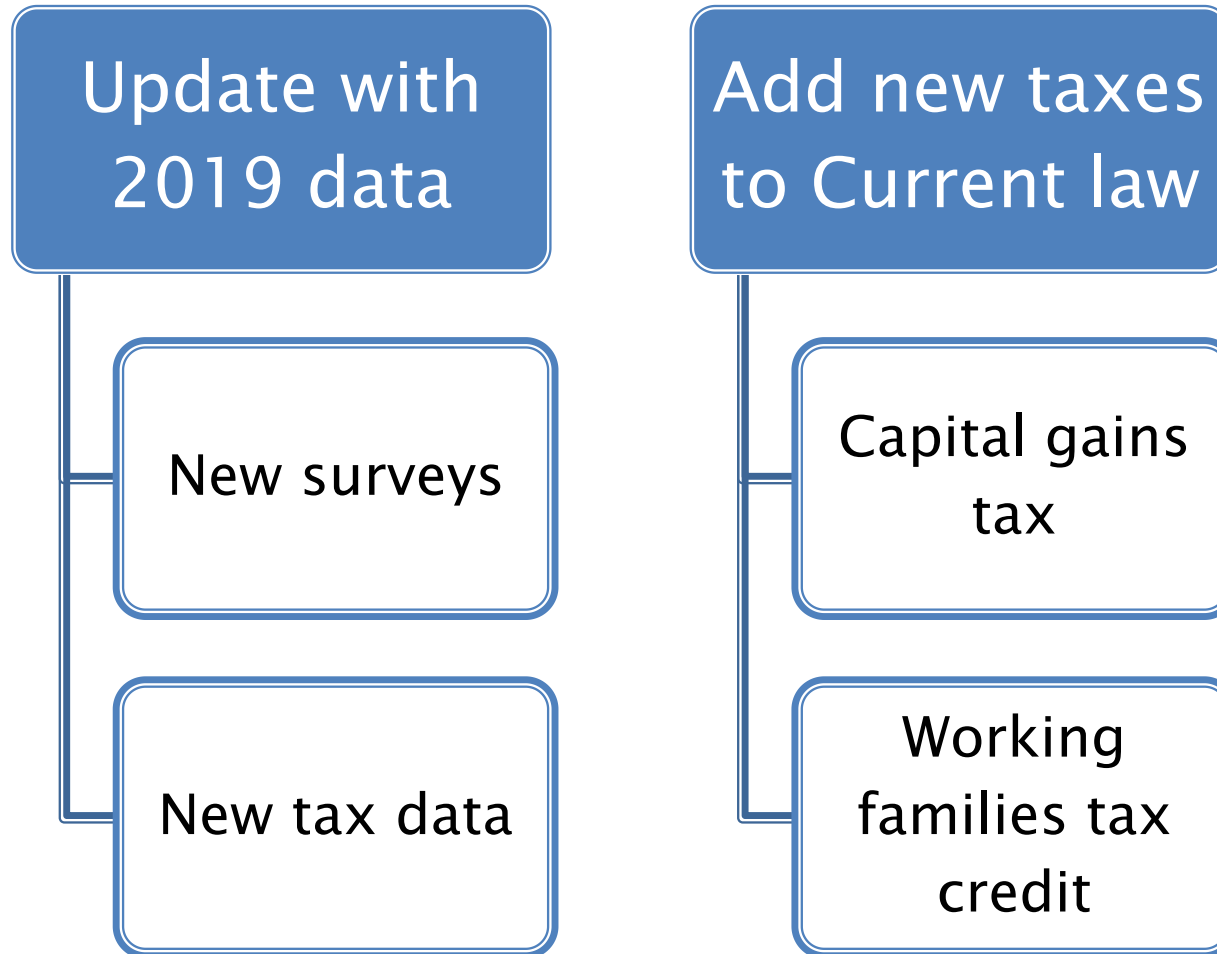
- Set graduated progress tax rates
- Set a standard deduction and personal exemption
- Higher income individuals pay more tax

Estimated net impact

- Reduced taxes on the 7th decile income group and lower
- Increased taxes on the 8th decile income group and above

Difference										
2017 Household Income	\$0	\$17,000	\$30,000	\$44,000	\$58,000	\$74,000	\$92,000	\$115,000	\$146,000	\$208,000
	\$17,000	\$30,000	\$44,000	\$58,000	\$74,000	\$92,000	\$115,000	\$146,000	\$208,000	∞
Decile	1	2	3	4	5	6	7	8	9	10
	<u>Total Tax Amount</u>									
Alternative	\$5,938	\$6,329	\$7,909	\$10,273	\$12,231	\$14,422	\$16,593	\$19,308	\$24,243	\$53,352
Current Law	\$6,944	\$7,390	\$8,973	\$11,329	\$13,214	\$15,105	\$16,841	\$18,760	\$22,053	\$33,834
Difference	-\$1,006	-\$1,061	-\$1,065	-\$1,056	-\$983	-\$684	-\$248	\$548	\$2,190	\$19,518
	<u>Tax as a Percent of Income</u>									
Alternative	0.0%	12.8%	10.3%	9.7%	8.9%	8.4%	7.7%	7.2%	6.7%	5.3%
Current Law	0.0%	15.0%	11.7%	10.7%	9.6%	8.7%	7.8%	7.0%	6.1%	3.4%
Difference	0.0%	-2.2%	-1.4%	-1.0%	-0.7%	-0.4%	-0.1%	0.2%	0.6%	2.0%

What's new?



What's missing from the model?

- Tax incidence
 - Property tax passed through as rent
 - Taxes on businesses passed to consumers
- Federal personal income tax non-filers (about 10% of individuals)
 - Base data is the IRS federal income tax returns
 - Model does not contain income tax non-filers

Technical Advisory Group Presentations

June 2020

- Property tax focus
- [Link to slides](#)

February 2020

- General overview
- [Link to slides](#)

Looking to the future



Tax burden by race/ethnicity