

Tax Structure Work Group 2021 Interim Engagement Report

Prepared for the Washington State
Tax Structure Work Group
with support from
Triangle Associates, EconW,
Cascadia Consulting Group,
and the Washington State
Department of Revenue

December 2021



Tax Structure
Work Group



Cover Art by Dat Nguyen

Table of Contents

Figures	2
Letter of Submittal	3
Acknowledgements	4
Executive Summary	5
Background	8
Overview of Principles and Tax Scenarios	12
Community Engagement Methods	17
Demographics and Representation	27
Results of Engagement.....	28
Conclusion	42
Appendix	43

Figures

- Figure 1: Members of the Tax Structure Work Group 8
- Figure 2: Photos of Tax Structure Work Group members..... 8
- Figure 3: Timeline of the Tax Structure Work Group 9
- Figure 4: Overview of the community engagement methods..... 17
- Figure 5: Screenshot of household tax calculator 18
- Figure 6: Screenshot of business tax calculator 18
- Figure 7: Table of the Tax Town Hall regions 19
- Figure 8: Map of the Tax Town Hall regions 20
- Figure 9: Tax Town Hall participation, by region..... 20
- Figure 10: Tax Town Hall dates and participation..... 21
- Figure 11: Multilingual focus group dates and host organizations 21
- Figure 12: Partner organizations that participated in a "We Go to You" meeting 23
- Figure 13: Map of organizations that participated in a "We Go to You" meeting 24
- Figure 14: Multilingual survey webpage..... 25
- Figure 15: Benefits of tax scenarios shared by participants 28
- Figure 16: Concerns about tax scenarios shared by participants 29
- Figure 17: Town Hall participants' preferences about the tax principles, by region 30
- Figure 18: Multilingual Focus Group participants' preferences about the tax principles, by language 30
- Figure 19: Tax Town Hall participants' preferences about the definition of fairness, by region .. 31
- Figure 20: Multilingual Focus Group participants' preferences about the definition of fairness, by language 31
- Figure 21: Benefits shared about Washington's current tax structure 32
- Figure 22: Concerns shared about Washington's current tax structure 32
- Figure 23: Benefits shared about Scenario A 33
- Figure 24: Concerns shared about Scenario A..... 33
- Figure 25: Benefits shared about Scenario B 34
- Figure 26: Concerns shared about Scenario B..... 34
- Figure 27: Benefits shared about Scenario C 35
- Figure 28: Concerns shared about Scenario C..... 36
- Figure 29: Benefits shared about Scenario D 37
- Figure 30: Concerns shared about Scenario D..... 37
- Figure 31: Benefits shared about Scenario E 38
- Figure 32: Concerns shared about Scenario E 39
- Figure 33: Benefits shared about Scenario F 40
- Figure 34: Concerns shared about Scenario F 40

Letter of Submittal

December 31, 2021

Honorable Members, Washington State Senate
Honorable Members, Washington State House of Representatives

The Tax Structure Work Group (TSWG) is a collection of policymakers working together to develop recommendations for making Washington's state tax structure more equitable/fair, stable, adequate, and transparent. During the 2021 legislative session, the legislature approved a [budget proviso in ESSB 5092](#) (link) that directs the TSWG to:

- Hold at least five public meetings organized by geographic region.
- Participate in the meetings of at least 10 community organizations and at least 10 business organizations.
- Hold at least three listening sessions in languages other than English.

In early 2021, the TSWG developed a set of tax scenarios that include different combinations of tax types with the goal of addressing fairness, stability, transparency, and adequacy within the tax structure. These scenarios were not fully developed policies; rather, the TSWG used the scenarios to guide conversation by giving taxpayers ideas to explore. In summer and fall of 2021, the TSWG conducted engagement with taxpayers across Washington, including both individual taxpayers and businesses. This interim report describes the results of the community and business engagement.

In 2022, the Work Group will use these and subsequent engagement findings to inform policy recommendations to the Washington State Legislature.

Thank you for the opportunity to serve in this capacity for the people of the State of Washington.

Respectfully,

Representative Noel Frame, Co-Chair (House Democratic Caucus)

Senator Keith Wagoner, Co-Chair (Senate Republican Caucus)

Representative Pat Sullivan (House Democratic Caucus)

Representative Ed Orcutt (House Republican Caucus)

Representative Jesse Young (House Republican Caucus)

Senator Joe Nguyen (Senate Democratic Caucus)

Senator Lisa Wellman (Senate Democratic Caucus)

Senator Phil Fortunato (Senate Republican Caucus)

Scott Merriman (Legislative Liaison, Office of the Governor)

Dean Carlson (Senior Tax Policy Coordinator, Department of Revenue)

City of Vancouver Mayor Anne McEnerny-Ogle (Association of Washington Cities)

Pierce County Councilmember Derek Young (Washington State Association of Counties)

Acknowledgements

The Tax Structure Work Group (TSWG) appreciates the contributions to this interim report from the Work Group members and Department of Revenue staff members. We would like to make a special acknowledgment of the contributions of the divisions and people named on this page. The Department of Revenue employees listed below from the Research & Fiscal Analysis Division and Legislation & Policy Division were deeply involved with developing and implementing the community and business engagement strategy.

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Executive Summary

Background

In 2021, the Tax Structure Work Group (TSWG) established a set of tax scenarios that included different combinations of tax types to make Washington’s state tax structure more equitable/fair, stable, adequate, and transparent. The tax scenarios were *not* proposed policies; rather they were ideas intended to generate dialogue and feedback as part of a larger effort to improve Washington state’s tax structure. The TSWG conducted engagement in fall 2021 with individual taxpayers as well as businesses across Washington to gather feedback about the tax scenarios. This report outlines the interim results of the community and business engagement.

Community Engagement Methods

Through the community and business engagement efforts, the TSGW connected with thousands of Washingtonians. To make the process more inclusive, the project team utilized multiple engagement methods including 14 Tax Town Halls, 29 presentations to community and business groups (“We Go to You” meetings), 5 multilingual focus groups, surveys, and an online tax calculator tool (see graphic below).

	Community Members	Businesses	Priority Communities	Geographic Regions
 14 Tax Town Halls				✓
 29 “We Go to You” Meetings	✓	✓	✓	✓
 5 Multilingual Focus Groups			✓	
 Surveys (ongoing)	✓	✓	✓	✓
 Tax Calculator (ongoing)	✓	✓	✓	✓

This report focuses on the results from the Tax Town Halls, We Go to You meetings, and multilingual focus groups. In early 2022 a final report will be published that includes the survey results.

Principles and Tax Scenarios

The TSWG’s efforts are based on four principles for a well-designed tax system: fairness, adequacy, stability, and transparency. The TSWG developed a set of tax scenarios (*not* fully formed policies) to guide conversations. The TSWG intended for the scenarios to be revenue neutral over a two-year period,¹ applying current tax law as the baseline to make sure that considerations about budget growth remained separate from the TSWG’s work.

¹ With the exception of the scenario focused on changing the property tax limit factor (Scenario A).

Results of Engagement

The project team (the Department of Revenue, ECONorthwest, Triangle Associates, and Cascadia Consulting Group) captured participant feedback during the multiple engagement activities that occurred in fall 2021. Throughout the Tax Town Halls, “We Go to You” presentations, and multilingual focus groups, participants expressed their opinions about the importance of the four principles of a well-designed tax system, definitions of fairness, and the benefits and concerns associated with each tax scenario.

Priority of Principles

While views varied slightly across the seven different regions, more than half of the Tax Town Hall participants shared fairness as the most important principle for a well-designed tax system, followed by transparency, adequacy, then stability. Similarly, among participants in the multilingual focus groups, the most preferred principles were fairness and transparency.

Definitions of Fairness

Although participants preferred fairness over other tax principles, they differed in their preferred definitions of fairness. The TSWG shared two definitions of fairness: (1) individual and businesses with higher incomes or revenue should pay a higher percent of their income or revenue in taxes based on their *capacity* to pay; and (2) all individual and business taxpayers should pay a *consistent* percent of their income or revenue in taxes, regardless of their income. Over half of participants chose *capacity* as their preferred definition of fairness and fewer than half chose *consistency*.

Current Tax Structure

Considering the current state tax structure, participants expressed appreciation for the current tax structure’s simplicity and stability, while also noting concerns about it being regressive. Across the different engagement methods, participants shared concerns about property taxes continuing to increase over time.

Scenario A

Scenario A aims at addressing adequacy by replacing the current property tax limit factor with a new inflation factor tied to the cumulative rates of population growth and inflation. The TSWG made this a stand-alone scenario to call attention to how changing the growth limit may not be revenue neutral over time and allow taxpayers to react to this specific change. Some participants commented that this scenario could be beneficial since it would provide more funding to needed government services. However, more participants shared that this scenario was concerning since it could result in increasing property taxes, which could disproportionately impact low-income and fixed-income property owners.

Scenario B

Scenario B addresses the fairness of the tax system by adding a wealth tax and a primary residence property tax exemption. The wealth tax would be a 1% tax on financial property (such as stocks and bonds), with the first \$1 billion exempt. The state property tax exemption would be on the first \$250,000 of value on a property owner’s primary residence. While some participants expressed support for the idea of the wealthiest Washingtonians paying more in taxes, more participants expressed concerns than support for a wealth tax. These concerned participants were worried that a wealth tax relies on an unstable tax base since billionaires can

easily leave the state. Participants were split over the \$1 billion threshold: some participants were concerned that the threshold would be lowered in the future and therefore the tax would affect more Washingtonians over time; conversely, other participants were concerned that the threshold was actually too high, and a wealth tax should be applied to a larger segment of wealthy taxpayers in the state based on their capacity to pay more.

Scenario C

Scenario C addresses fairness by eliminating the business and occupation (B&O) tax, adding a subtraction-method value added tax (VAT), and adding an employer compensation tax. While participants noted that the VAT could be fairer to small and low margin businesses than the B&O tax, participants overall had concerns that the VAT would be too complicated for businesses to implement. Participants also expressed concerns that the employer compensation tax might slow down economic growth and disincentivize paying employees over \$150,000.

Scenario D

Scenario D addresses fairness by eliminating the B&O tax, adding a margins tax, and adding an employer compensation tax. Participants expressed support for a margins tax and noted that the margins tax could be fairer to smaller businesses than the B&O tax. However, they expressed concerns about coupling the margins tax with an employer compensation tax since they felt that an employer compensation tax might hinder the state's economy and disincentivize paying employees over \$150,000.

Scenario E

Scenario E addresses stability and fairness by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a *flat* corporate income tax (CIT), and adding a *flat* personal income tax (PIT). Participants expressed support for the idea of wealthier individuals and businesses paying more in taxes based on their capacity to pay. However, more participants noted concerns about future potential increases in flat tax rates for the PIT and CIT as reasons to have reservations about this scenario.

Scenario F

Scenario F addresses stability and fairness by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a *progressive* PIT, and adding a *progressive* PIT. Participants expressed support for the idea of wealthier individuals and businesses paying more in taxes based on their capacity to pay. Yet participants were worried about future potential increases in tax rates for the progressive PIT and progressive CIT.

Next Steps

The final engagement report in spring 2022 will include qualitative and quantitative analyses of the survey results. The TSWG will use the final engagement report to inform future policy recommendations to the Washington State Legislature.

Background

Goal

The Tax Structure Work Group (TSWG) is a collection of policymakers working together to develop recommendations for making Washington’s state tax structure more equitable, stable, adequate, and transparent.

Members

The Tax Structure Work Group is made up of Washington State legislators - both Democrats and Republicans - along with representatives from the Governor’s Office, Department of Revenue, the Association of Washington Cities, and the Washington State Association of Counties (Figure 1 and Figure 2)

FIGURE 1: MEMBERS OF THE TAX STRUCTURE WORK GROUP

Member	Role in Tax Structure Work Group
Representative Noel Frame	Co-Chair
Senator Keith Wagoner	Co-Chair
Representative Pat Sullivan	Member
Representative Ed Orcutt	Member
Representative Jesse Young	Member
Senator Joe Nguyen	Member
Senator Lisa Wellman	Member
Senator Phil Fortunato	Member
Scott Merriman	Representative of the Governor’s Office
Dean Carlson	Representative of the Department of Revenue
Mayor Anne McEnery-Ogle	Representative of the Association of Washington Cities
Councilmember Derek Young	Representative of the WA State Association of Counties

FIGURE 2: PHOTOS OF TAX STRUCTURE WORK GROUP MEMBERS



Timeline

The TSWG was first established in 2017 and builds on research and discussions completed by the Tax Structure Study Committee in 2002. Figure 3 shows work beginning in 2001 and continuing through 2023.

FIGURE 3: TIMELINE OF THE TAX STRUCTURE WORK GROUP

The Washington State Legislature commissioned a group of academic scholars and legislators to study the state's tax structure and possible alternatives.	2001	
	2017	The TSWG convened as a bipartisan work group of the Washington State House of Representatives.
The TSWG held public meetings in Spokane, Yakima, Vancouver, and Seattle and conducted a survey.	2018	
	2019	The TSWG was reauthorized and expanded to include representatives from the House of Representatives, Senate, Governor's Office, Department of Revenue, Association of WA Cities, and WA State Association of Counties.
The Department of Revenue conducted economic modeling to better understand potential alternatives to the business and occupation tax, sales tax, and property tax.	2020	
	2020	The TSWG held a series of listening sessions with stakeholders to understand the strengths and weaknesses of current tax policies.
The TSWG developed a set of revenue-neutral tax scenarios that include different combinations of tax types.	2021	
	2021	The TSWG conducted engagement with taxpayers across Washington, including individual and business taxpayers, to gather feedback about the tax scenarios.
If the TSWG hears that Washingtonians want to see changes to the state tax structure, they will work with the Department of Revenue to develop policies.	2022	
	2023	The TSWG aims to propose policies during the 2023 legislative session.

2002 and 2018 Work Groups and Reports

In 2001, the Washington State Legislature commissioned the Tax Structure Study Committee, a group of academic scholars and legislators to study the state's tax structure and possible alternatives. The committee concluded in 2002 that state taxes were levied disproportionately on low- and middle-income taxpayers, unfair to many businesses, and highly volatile. The committee also found that the tax structure, put in place in 1935, was well-suited for a mid-twentieth century manufacturing economy but did not work well in today's economy with its greater dependence on the service sector and the rapidly expanding "internet economy." They concluded that if the trends they observed in the early 2000s continued, the tax structure would be even less adequate in the future.

A House of Representatives work group convened in 2018 to revisit findings from the early 2000s and facilitate four public meetings about the tax system in Spokane, Yakima, Vancouver, and Seattle. Following the feedback from the public meetings and a survey, the 2018 House Tax Structure Work Group (TSWG) recommended the reauthorization of the TSWG with expanded membership to address key challenges of the Washington State tax code including, but not limited to:

- The regressive nature of the tax code.
- The negative impact of businesses and occupation (B&O) tax on small, start-up, and low-margin companies.
- The changing economy and the need to modernize the tax code to reflect it.
- The excessive number of tax preferences and exemptions.

2020 Work and Reports

In 2020, the Tax Structure Work Group directed the Washington State Department of Revenue to analyze the alternative tax structures that were discussed in 2001 and 2018. They released a report that analyzed the current tax structure, estimated potential impacts of alternative taxes, and compared Washington's tax structure to bordering states.

2021 Work

A [budget proviso in ESSB 5092](#) (link) from the 2021 legislative session directs the TSWG to:

- Hold at least five public meetings organized by geographic region.
- Participate in the meetings of at least 10 community organizations and at least 10 business organizations.
- Hold at least three listening sessions in languages other than English.

The proviso specified gathering feedback from several groups of taxpayers. Based on the proviso and community engagement best practices, the project team defined a set of "priority communities" as:

- Low-income and middle-income taxpayers
- Communities of color
- Seniors
- People with disabilities
- Immigrant groups
- Youth

In early 2021, the TSWG developed a set of tax scenarios that include different combinations of tax types, with the goal of addressing fairness, stability, transparency, and adequacy within the tax structure.

In summer and fall of 2021, the TSWG conducted engagement with taxpayers across Washington, including both individual taxpayers and businesses. The TSWG used the scenarios to guide conversation by giving taxpayers ideas to explore. This report describes the results of the community and business engagement.

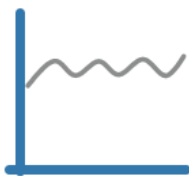
Overview of Principles and Tax Scenarios

The following sections briefly describe the ideas that the TSWG solicited feedback on from community members and businesses. More detailed information about the principles and scenarios are [available on this slide deck](#) (link).

Principles

The [2021 budget proviso](#) (link) directs the TSWG to guide its work based on four principles for a well-designed tax system: *equity*, *adequacy*, *stability*, and *transparency*. The TSWG co-chairs agreed to use “*fairness*” instead of “*equity*” to avoid confusion with financial equity (i.e., equity in real estate).

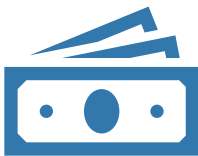
The TSWG defined these four principles as follows:



Stability: A stable tax system provides a reliable amount of money, even with ups and downs in the economy.



Transparency: Under a transparent tax system, taxpayers know when to pay taxes, the amount they need to pay, and how to make payments.



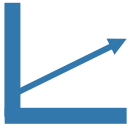
Adequacy: An adequate tax system collects enough tax revenue to pay for established public services.



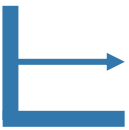
Fairness: A fair or equitable tax system is one that is fair to people and to businesses. A fair tax structure must consider different viewpoints of fairness - consistency and capacity (see details below on definitions of fairness).

Fairness

Recognizing that many people have differing ideas of *fairness* within the tax structure, the TSWG developed two definitions of *fairness*, one based on *consistency*, and another based on *capacity*.



Capacity: One view of *fairness* is that those individual and businesses with higher incomes or revenue should pay a higher percent of their income or revenue in taxes, and those with lower incomes or revenue should pay a lesser percentage through graduated or progressive rates, targeted tax credits or exemptions, etc. This view of *fairness* considers the *capacity* of a taxpayer to pay the tax.



Consistency: Another view of *fairness* is that all individual and business taxpayers should pay the same percent of their income or revenue on taxes, regardless of their income through flat taxes or the same tax rates applied to all individuals and the same rates for all businesses. This view of *fairness* considers the *consistency* of the tax structure.

These concepts of fairness are similar to the two different definitions of equity described in the 2002 Tax Structure Study Committee work. Namely, the “capacity” concept of fairness is similar to the definition of “vertical equity,” and the “consistency” concept of fairness builds on the definition of “horizontal equity.”

Tax Scenarios

The TSWG developed a set of tax scenarios, each with different combinations of taxes, to guide conversations and give participants ideas to explore. The scenarios are labeled A through F; the order of the scenarios is arbitrary. The TSWG aimed for the scenarios to be revenue neutral over a biennium, using current tax law as the baseline to ensure that considerations about budget growth remained separate from the TSWG’s work.

In early 2021, the project team (the Department of Revenue, ECONorthwest, Triangle Associates) worked with the TSWG co-chairs to draft the scenarios. DOR and ECONorthwest modeled and analyzed the scenarios to ensure that they were revenue neutral. The full TSWG discussed the public engagement scenarios during the [May 17, 2021 TSWG meeting](#) (link). The TSWG agreed that the idea of changing the property tax limit factor (Scenario A) should be isolated as its own concept for consideration and therefore it would not be revenue neutral. On May 17, the TSWG approved Scenarios A-E, with Scenarios B-E being revenue neutral.

The sections on the following pages briefly describe each scenario.

Scenario A – Change Property Tax Limit Factor



Scenario A addresses the *adequacy* (or the ability to collect enough tax revenue) of the tax system by increasing the property tax limit factor, which allows property tax to keep pace with inflation and population growth.

Current law caps the growth of Washington’s property tax revenue at 1% growth plus additional value for new construction. This scenario would replace the limit factor with a new inflation factor tied to the cumulative rates of population growth and inflation. Because of this change, this scenario, unlike the others, is not revenue neutral over time.

As described above, the TSWG made this a stand-alone scenario to call attention to how changing the growth limit may not be revenue neutral over time and allow taxpayers to react to this specific change.

Scenario B – Update Property Tax and Tax Personal Wealth

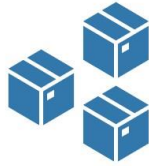


Scenario B addresses the *fairness* of the tax system by adding a wealth tax and a primary residence property tax exemption. The wealth tax would be a 1% tax on financial property (such as stocks and bonds), with the first \$1 billion exempt. The property tax exemption would reduce the tax burden on most property taxpayers, especially residential payers, who would receive a state property tax exemption for the first \$250,000 of value on their primary residence.

Scenario C – Replace B&O Tax with Value Added Tax and Employer Compensation Tax



No
B&O Tax



Value Added Tax



Employer
Compensation
Tax

Scenario C addresses *fairness* by eliminating the business and occupation (B&O) tax, adding a subtraction-method value added tax (VAT), and adding an employer compensation tax.

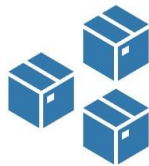
The VAT is a tax on the value a business adds to goods or services it sells. Businesses would pay this tax on their gross receipts minus the purchase of goods and services from other businesses. It would include an exemption of the first \$1 million in gross receipts (but would slowly phase out at \$2 million).

The employer compensation tax would be a new business tax. It is a tax on employers on compensation paid to employees in Washington over \$150,000 per employee. Businesses with total worldwide payroll over \$7 million a year would pay this tax.

Scenario D – Replace B&O Tax with Margins Tax and Employer Compensation Tax



No
B&O Tax



Margins Tax



Employer
Compensation
Tax

Scenario D addresses *fairness* by eliminating the B&O tax, adding a margins tax, and adding an employer compensation tax.

The margins tax would be a tax on the gross receipts of businesses, minus certain deductions (either 30% of taxable income, cost of goods sold, total compensation paid, or \$1 million of gross receipts).

The employer compensation tax would be a new business tax. It is a tax on employers on compensation paid to employees in Washington over \$150,000 per employee. Businesses with total worldwide payroll over \$7 million a year would pay this tax.

Scenario E – Tax Personal Income and Corporate Income at a Flat Rate



Scenario E addresses *stability* and *fairness* by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a corporate income tax, and adding a personal income tax. Under this scenario, the corporate and personal income taxes would be flat taxes, meaning all income would be taxed at the same flat rate regardless of income.

Scenario F – Tax Personal Income and Corporate Income at a Progressive Rate



Scenario F addresses *stability* and *fairness* by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a corporate income tax, and adding a personal income tax. Under this scenario, the corporate and personal income taxes would be progressive taxes, meaning as a person's or business's income increases, their tax rate also increases.






Community Engagement Methods

The project team used multiple engagement methods to gather feedback from Washingtonians. This included a series of Tax Town Halls, “We Go to You” meetings with organizations, multilingual focus groups, surveys, and an online tax calculator tool.

The Tax Town Halls, “We Go to You” meetings, and multilingual focus groups took place in the summer and fall of 2021. Survey engagement began in summer 2021 and will continue into early 2022. This interim report includes results from the Tax Town Halls, “We Go to You” meetings, and multilingual focus groups. The final report that will be published in early 2022 will include results from the surveys.

Figure 4 provides an overview of these engagement methods and the groups they focus on. The following sections describe each engagement method in detail.

FIGURE 4: OVERVIEW OF THE COMMUNITY ENGAGEMENT METHODS

		Community Members	Businesses	Priority Communities	Geographic Regions
	Tax Town Halls				✓
	“We Go to You” Meetings	✓	✓	✓	✓
	Multilingual Focus Groups			✓	
	Surveys (ongoing)	✓	✓	✓	✓
	Tax Calculator (ongoing)	✓	✓	✓	✓

Tax Calculator

Throughout engagement, some participants requested additional information, particularly insight into how the tax scenarios might impact an individual or business. To meet this need, the project team created two [online tax calculators](#) (link) - one for households (Figure 5) and another for businesses (Figure 6). The calculators allow users to enter basic information about their situation (e.g., income, number of dependents, property value), then output their estimated taxes under the current tax structure and each of the tax scenarios. After using the tax calculators, users were prompted to take the survey.

The project team incorporated the tax calculators into other engagement methods by presenting them at the Tax Town Halls, “We Go to You” meetings, and multilingual focus groups.

FIGURE 5: SCREENSHOT OF HOUSEHOLD TAX CALCULATOR

Household Tax Calculator

Enter the value of your primary residence in the box below. If you're a renter, enter \$0 in the box. The current scenario only considers an exemption to property owners. However, renters indirectly pay the property tax on their primary residence and future considerations for legislation could consider a rebate for renters in lieu of an exemption.

Property Value

\$400,000

Enter your Adjusted Gross Income (AGI) in the box below. If you don't know your adjusted gross income, just enter your income. AGI is defined as gross income minus adjustments to income. Gross income includes your wages, dividends, capital gains, business income, retirement distributions as well as other income. Adjustments to Income include such items as Educator expenses, Student loan interest, Alimony payments or contributions to a retirement account. Your AGI will never be more than your Gross Total Income on you return and in some cases may be lower.

Income

\$50,000

If you have a disability check the box below.

Disabled

If you're age 65 or older check the box below.

Age: 65 and Older



Scenario A:

Scenario A addresses the adequacy (or the ability to collect enough tax revenue) of the tax system by increasing the property tax limit factor, which allows property tax to keep pace with inflation and population growth.

The current law caps levy growth at the lesser of implicit price deflator or 1% growth plus the amount of new construction multiplied by the levy rate for the preceding year.

This scenario would replace the limit factor with a new inflation factor tied to the cumulative rates of population growth and inflation.

- Because of this change, this scenario is not revenue neutral overtime.

Scenario B:

Scenario B addresses the fairness of the tax system by expanding the definition of property tax to include financial property (over \$1 billion). This

FIGURE 6: SCREENSHOT OF BUSINESS TAX CALCULATOR

Business Tax Calculator

Adjust the gross receipts (total revenue) of the business.

Gross Receipts

\$1,000,000

Adjust the pre-tax profit margin of the business. This impacts payments under the corporate income net receipts tax and personal income tax (depends on a business' tax filing status).

Pre-Tax Profit Margin (% of gross receipts)

6%

Adjust how much purchases from other firms a business can subtract under a VAT.

VAT Deductible Expenses Ratio (% of gross receipts)

44%

Adjust the level of cost of goods (COGS) sold and see how it might affect their deductions under a margins tax.

Cost of Goods and Services Ratio (% of gross receipts)

34%

Adjust the level of employee compensation and see how it might affect their deductions under a margins tax.

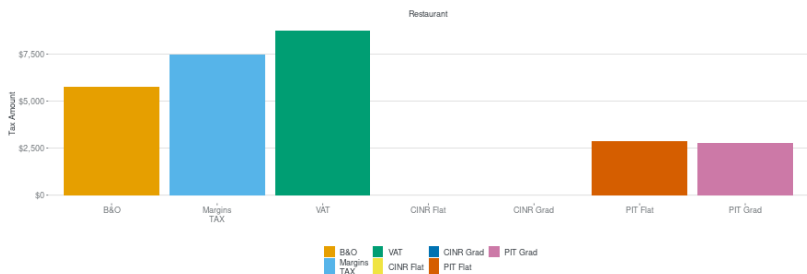
Employee Compensation Ratio (% of gross receipts)

10%

Restaurant | Small Manufacturing | Small Software/Technology Design | Retail Store | Health Care and Social Assistance Provider | Wholesale Trade

Ethnic Grocery Store | Large Information Technology | Large Aerospace Firm

This restaurant is understood to be small, non-chain business. It most likely has a single point of business. It is organized as sole proprietorship and would pay the personal income tax (instead of the corporate income net receipts tax).



Subtraction-method VAT

A tax on the gross receipts of businesses minus the purchase of intermediate goods and services from other businesses. Small businesses can also claim an exemption of \$1 million of annual receipts. The small business exemption phases out linearly to zero for taxpayers with \$2 million of receipts.

Margins Tax

A tax on the gross receipts of businesses minus one of four deductions: 30 percent of taxable income (before deduction); cost of goods sold; total compensation paid; or \$1 million.

Corporate Income Net Receipts Tax

Corporate income net receipts tax is tax on the profits of a corporation. The taxes are paid on a company's taxable income, which includes revenue minus

Tax Town Halls

Between September 22 and November 3, 2021, the Tax Structure Work Group hosted 14 Tax Town Halls for participants across Washington.

Event structure

The Town Halls were open to all members of the public. To allow broader participation from people with varying schedules, the TSWG held two Town Halls for each region, one in the afternoon (2:30 to 4:00 p.m.) and one in the evening (6:30 to 8:00 p.m.).

During the Town Halls, facilitators shared background information about the TSWG and the tax scenarios using presentation slides and [short animated videos](#) (link). *Appendix A* contains the full slide deck.

Following the main presentation, the facilitators invited participants to choose a breakout session based on their interest. One breakout room focused on the tax scenarios that primarily impact businesses, and the other focused on scenarios that primarily impact individual taxpayers. Within each breakout session, facilitators explained the tax scenarios and invited participants to share their opinions about each scenario.

Notetakers recorded all questions and feedback that participants shared, whether verbally or via the Zoom chat, in both the main session and breakout rooms.

Regions

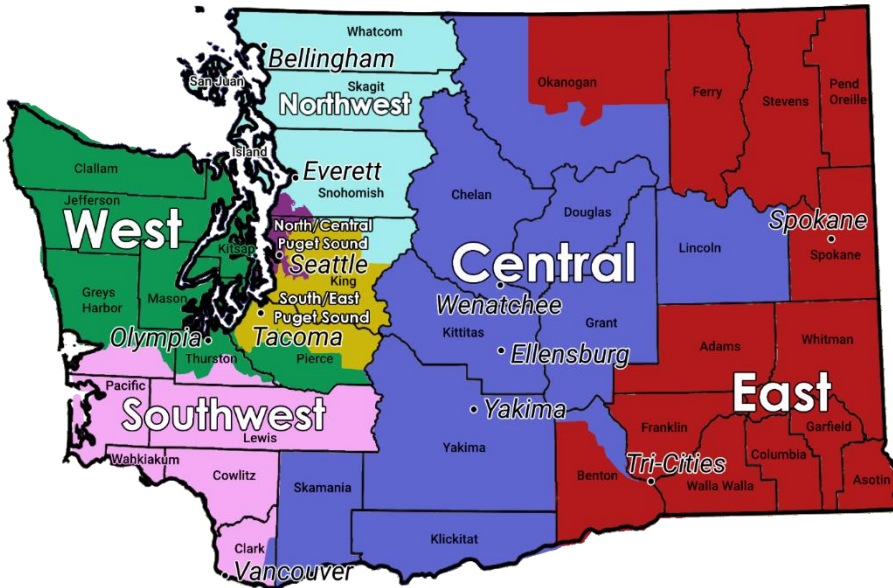
To gather perspectives from across the state, the TSWG held Town Halls in seven regions. Due to public health concerns regarding COVID-19, the project team hosted the Town Halls virtually via Zoom and encouraged participants to attend the virtual Town Hall dedicated to their region. The TSWG co-chairs agreed to divide the state into seven regions (Figure 7 and Figure 8) with a rough balance of population.

FIGURE 7: TABLE OF THE TAX TOWN HALL REGIONS

Region	Legislative Districts in the Region	Percentage of State Population ²
East	3, 4, 6, 7, 9, 16	12%
Central	8, 12, 13, 14, 15	10%
Northwest	10, 38, 39, 40, 42, 44	12%
West	2, 22, 23, 24, 26, 35	12%
Southwest	17, 18, 19, 20, 49	10%
North/Central Puget Sound	1, 11, 21, 32, 34, 36, 37, 43, 46	19%
South/East Puget Sound	5, 25, 27, 28, 29, 30, 31, 33, 41, 45, 47, 48	25%

² [U.S. Census Bureau, 2020 and 2010 Census Redistricting Data \(Public Law 94-171\) Summary File](#)

FIGURE 8: MAP OF THE TAX TOWN HALL REGIONS



Attendance

In total, more than 1,500 people attended the Tax Town Halls (Figure 9). Participation at each Town Hall ranged from approximately 60 to 190 people (Figure 10). Approximately 10-20 state legislators and local elected officials attended each Town Hall in a listening role to hear directly from their constituents.

FIGURE 9: TAX TOWN HALL PARTICIPATION, BY REGION

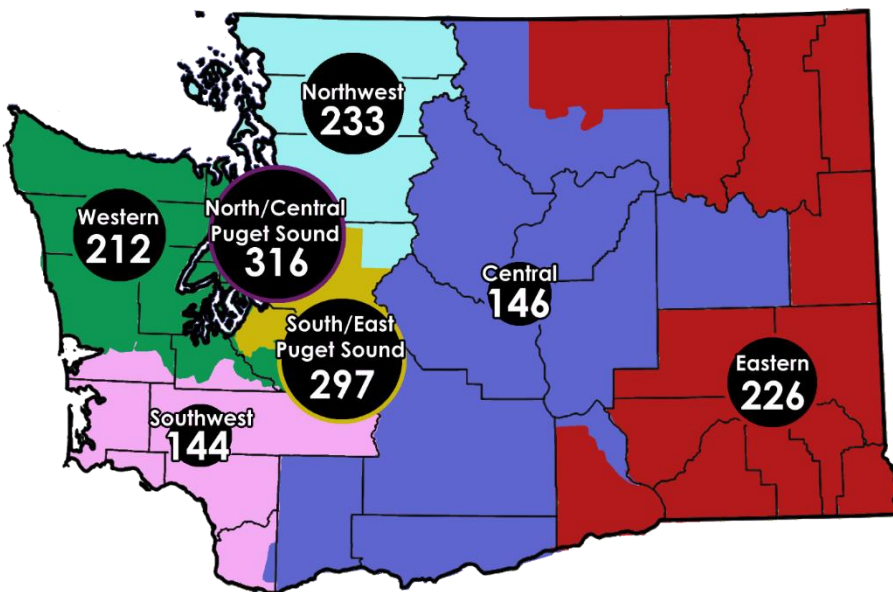


FIGURE 10: TAX TOWN HALL DATES AND PARTICIPATION

Region	Date	Time	Participants
East Region	September 22	Afternoon	147
		Evening	79
Central Region	September 29	Afternoon	83
		Evening	63
Northwest Region	October 6	Afternoon	151
		Evening	82
West Region	October 13	Afternoon	117
		Evening	95
Southwest Region	October 20	Afternoon	77
		Evening	67
North/Central Puget Sound Region	October 27	Afternoon	192
		Evening	124
South/East Puget Sound Region	November 3	Afternoon	164
		Evening	133
TOTAL			1,574

To spread awareness about the Town Halls, the project team used the following marketing strategies:

- Published information on the TSWG website.
- Asked partner organizations to encourage their members and networks to attend.
- Asked state legislators and local elected officials to encourage their constituents to attend.
- Sent press releases to newspapers throughout Washington.
- Sent emails to those who signed up for the TSWG email list.
- Posted on the TSWG Facebook page and Twitter handle and asked legislators to share the posts.
- Created Facebook events for each Town Hall.

Multilingual Focus Groups

To engage prevalent immigrant groups in Washington State, the project team and Cascadia Consulting Group partnered with nonprofit organizations to host focus groups in Spanish, Chinese, Korean, Russian, and Vietnamese (Figure 11).

FIGURE 11: MULTILINGUAL FOCUS GROUP DATES AND HOST ORGANIZATIONS

Language	Host Organization	Date
Vietnamese	Friends of Little Saigon	November 10, 2021
Russian	Pacific Ukrainian Society	November 15, 2021
Spanish	Mujer Al Volante	November 18, 2021
Korean	Korean Community Service Center	November 18, 2021
Cantonese	Ethnic Chamber of Commerce Coalition	December 16, 2021
Mandarin	InterImCDA	January 2021

During each focus group, participants watched a subtitled presentation about the Tax Structure Work Group and tax scenarios that affect individual taxpayers. A facilitator then led discussions entirely in language to gauge their opinions on the following scenarios:

- Wealth tax + property tax exemption (Scenario B)
- Personal flat income tax + property tax exemption/property tax rate cut + sales tax reduction (portion of Scenario E)
- Personal graduated income tax + property tax exemption/property tax rate cut + sales tax reduction (portion of Scenario F)

See *Appendix B* for the discussion guide with specific questions.

Participants in these multilingual focus groups received \$50 Visa gift cards to compensate them for their time and expertise. The host organizations received a stipend of \$1,500 for recruiting approximately ten participants in each session and distributing the multilingual survey. The final engagement report in spring 2022 will include the results of the Mandarin focus groups.

“We Go to You” Meetings

To “meet Washingtonians where they are,” the project team gave presentations at existing meetings held by community and business organizations across Washington. The project team identified organizations to reach out to based on conversations with the Governor’s Regional Outreach Representatives, list of [Small Business Resiliency Network](#) (link) organizations, list of [Associate Development Organizations](#) (link), and recommendations from other organizations. Some organizations reached out directly to request a presentation.

The team contacted over 200 organizations and approximately 60 responded. Of those who responded, 29 organizations had capacity and availability during the engagement period to invite the project team to present at their virtual meetings. A team of a presenter, notetaker, and technical experts attended these meetings to present information and gather and record feedback from participants.

Throughout the 29 meetings, the project team engaged with approximately 750 Washingtonians. The number of participants at each meeting ranged from three to approximately 150. Many organizations also recorded the presentation to share with their membership. The project team aimed at balancing organizations on the east and west side of the state, as well as balance business and community organizations.

The project team prioritized flexibility to each organizations’ capacity and needs. Presentation lengths ranged from 15 minutes to 90 minutes. Some presentations focused only on business taxes and others focused only on taxes that individuals pay. Some presentations contained a high level of detail, while others were more general. Some organizations requested two separate presentations, and others held joint presentations with neighboring organizations.

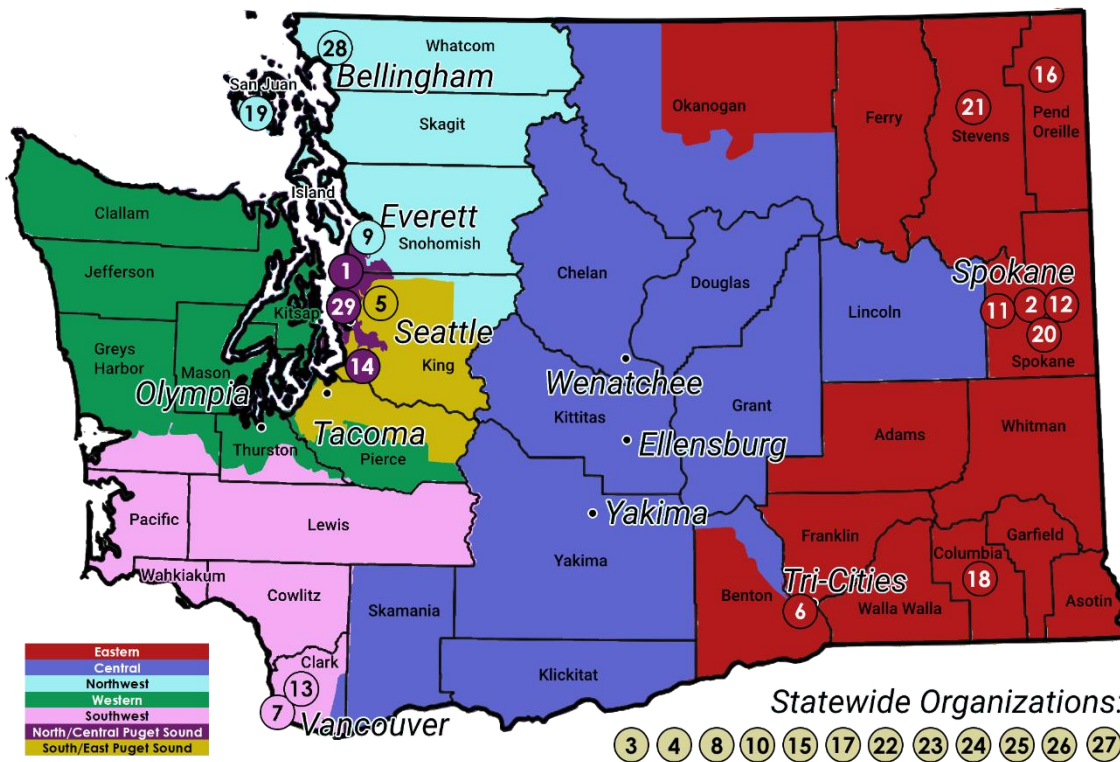
Figure 12 and Figure 13 on the following pages list the organizations that the TSWG engaged.

FIGURE 12: PARTNER ORGANIZATIONS THAT PARTICIPATED IN A "WE GO TO YOU" MEETING

	Organization Name	Region Served	Community Members	Businesses	Priority Community
1	Aging and Disability Services/Area Agency on Aging	North/Central Puget Sound	✓		✓
2	Aging and Long-Term Care of Eastern Washington	Eastern	✓		✓
3	Arc of Washington State	Statewide	✓		✓
4	Association of Washington Business	Statewide		✓	
5	Bellevue Chamber of Commerce	South/East Puget Sound		✓	
6	Benton-Franklin County League of Women Voters	Eastern	✓		
7	Columbia River Economic Development Council	Southwest		✓	
8	Department of Revenue Technical Advisory Group	Statewide			
9	Economic Alliance Snohomish County	Northwest		✓	
10	Greater Seattle Business Association (GSBA)	Statewide		✓	
11	Greater Spokane Incorporated	Eastern		✓	✓
12	Greater Spokane Valley Chamber of Commerce	Eastern		✓	✓
13	Greater Vancouver Chamber of Commerce	Southwest		✓	
14	King County League of Woman Voters	South/East Puget Sound	✓		
15	National Federation of Independent Business	Statewide		✓	
16	North Pend Oreille County Chamber of Commerce	Eastern		✓	
17	OneAmerica	Statewide	✓		✓
18	Port of Columbia	Eastern		✓	
19	San Juan Island Family Resource Center	Northwest	✓		✓
20	Spokane Low-Income Housing Consortium	Eastern	✓		✓
21	Tri County Economic Development District	Eastern		✓	

	Organization Name	Region Served	Community Members	Businesses	Priority Community
22	Washington Community Alliance	Statewide	✓		✓
23	Washington Policy Center	Statewide	✓		
24	Washington Roundtable	Statewide		✓	
25	Washington Senior Lobby	Statewide	✓		✓
26	Washington State Microenterprise Association	Statewide		✓	
27	Washington State Pharmacy Association	Statewide		✓	
28	Whatcom County Democratic Women	Northwest	✓		
29	Youth Development Executives of King County	North/Central Puget Sound	✓		✓

FIGURE 13: MAP OF ORGANIZATIONS THAT PARTICIPATED IN A "WE GO TO YOU" MEETING



Surveys

The surveys are an ongoing element of the engagement strategy that will continue through January 2022. This interim report does not include results from the surveys. The final report, released in early 2022, will include survey results.

Approach to English Surveys

To gather feedback from a wide range of Washingtonians, the project team created surveys that respondents could take at their convenience. Beginning on September 21, 2021, the project team distributed a survey in English with in-depth questions about tax scenarios that impact both individual taxpayers and businesses. After several weeks, the project team observed that the average length of time for a respondent was 40 minutes. To prevent the lengthy survey completion time from being a barrier to participation, the project team released a shortened survey on November 15, 2021, with general questions about preferences regarding scenarios that impact individual taxpayers. *Appendices C and D* contain the questions for the “long survey” and “short survey.”

Approach to Multilingual Surveys

Based on demographic research of the top languages spoken by Washingtonians with limited English proficiency, the project team translated the long and short versions of the survey into Spanish, Vietnamese, Traditional Chinese, Simplified Chinese, Korean, and Russian. In response to a request by a community organization, the team also translated the long version of the survey into Ukrainian. The project team offered to send paper copies of the survey to individuals by request.

To support multilingual participants in taking the short survey, the project team recorded six videos with subtitles in Spanish, Vietnamese, Traditional Chinese, Simplified Chinese, Korean, and Russian. The video was a recording of a presentation that covered the main survey questions and provided additional context and information. Beginning November 9, 2021, the project team distributed the surveys and subtitled videos using the following channels:

- Community organizations that work with immigrants and refugees
- Chambers of Commerce serving different ethnic groups
- Individual immigrant-owned businesses
- Advertisements in ethnic media
- Focus group participants
- TSWG website (Figure 14)

FIGURE 14: MULTILINGUAL SURVEY WEBPAGE

Español

Washington State Tax Structure Work Group - Spanish

Las personas con ingresos mayores pagan una mayor

¿Tiene entre 15 y 20 minutos?

Vea el siguiente video con subtítulos traducidos y luego responda algunas preguntas sobre los impuestos que afectan a las personas en esta [breve encuesta](#). Si completa la encuesta, tiene la oportunidad de ganar una tarjeta de regalo Visa de \$50.

BREVE ENCUESTA

¿Tiene entre 30 y 45 minutos?

Responda preguntas sobre los impuestos que afectan a las personas y las empresas en esta [larga encuesta](#). Si completa la encuesta, tiene la oportunidad de ganar una tarjeta de regalo Visa de \$50.

LARGA ENCUESTA

El Grupo de Trabajo de Estructura Tributaria quiere sus ideas al considerar cambios en los impuestos del estado de Washington. Hay algunas maneras de compartir sus intereses, valores y preferencias sobre

Además, suscríbese a nuestra lista de boletines por correo electrónico para que pueda ver el Informe de participación final que incluye sus comentarios.

Emails

From September 10 through November 15, the TSWG email account (info@taxworkgroup.org) received 25 emails from Washington residents regarding the state's tax structure. The results section below includes a thematic overview of these emails.

Demographics and Representation

Demographics of Community Members Engaged

The surveys asked optional demographic questions to get a better understanding of the people who were engaged in this process. The project team did not collect demographic information from the Tax Town Halls or “We Go to You” meetings. The final engagement report will include the demographics of survey respondents (long and short surveys, English and multilingual surveys).

Gaps in Representation

The final engagement report will note demographic groups that were over-represented or under-represented through survey outreach. The report will also recommend strategies for reaching under-represented groups through subsequent outreach in 2022.

Data Limitations

The TSWG surveys are intended to gauge attitudes and beliefs from self-selecting community members. They represent a “convenience sample” of respondents, meaning the sampling technique is designed to be prompt, uncomplicated, and respondents are not screen or selected to be part of the survey. Using this approach allows opinions and viewpoints to be expressed in the easiest possible manner. The surveys are not intended to represent the viewpoints of all Washingtonians and does not use more sophisticated “sampling” approaches. Therefore, the results of this type of convenience sample will be biased towards the makeup of those that took the survey.

Results of Engagement

Overall Themes

Within the Tax Town Halls, “We Go to You” presentations, and multilingual focus groups, several overarching themes emerged regarding the benefits and concerns associated with each scenario. Based on qualitative analysis of all engagement notes, Figure 15 shows the top benefits that participants shared regarding the current tax structure and six scenarios. Figure 16 details the main concerns that participants described regarding the current tax structure and six scenarios. The following sections of this report describe these explanations in further detail.

FIGURE 15: BENEFITS OF TAX SCENARIOS SHARED BY PARTICIPANTS

Benefit	Tax Scenario						
	Current Tax Structure	A	B	C	D	E	F
Simplicity	✓					✓	
Stable source of revenue	✓	✓				✓	✓
Wealthy people or profitable businesses pay more based on capacity to pay			✓	✓	✓	✓	✓
Relief for people with low incomes or small businesses			✓	✓	✓	✓	✓
Consistent application	✓			✓		✓	

FIGURE 16: CONCERNS ABOUT TAX SCENARIOS SHARED BY PARTICIPANTS

Concern	Tax Scenario						
	Current Tax Structure	A	B	C	D	E	F
Regressive (disproportionately burdens people with low incomes)	✓	✓				✓	✓
Wealthy individuals can leave the state or find loopholes	✓		✓	✓			
Slippery slope (tax rate or base may increase in the future)	✓	✓	✓			✓	✓
Too complicated				✓	✓		
Discourages economic growth	✓			✓	✓	✓	✓
Not appropriate for all industries				✓			
Disproportionately impacts people in poverty or communities of color	✓						

Priority of Principles

During the Tax Town Halls, participants shared their preferences about the principles of a well-designed tax system. Overall, more than half of participants identified *fairness* as the most important principle, followed by *transparency*, *adequacy*, then *stability* (Figure 17)

Opinions that Tax Town Hall participants shared varied slightly across the seven different regions; a higher proportion of participants in Eastern and Central Washington viewed *transparency* as most important compared to those in the western part of the state.

FIGURE 17: TOWN HALL PARTICIPANTS' PREFERENCES ABOUT THE TAX PRINCIPLES, BY REGION

Region	Which principle is most important?			
	Fairness	Transparency	Adequacy	Stability
East	57%	23%	8%	8%
Central	49%	29%	2%	14%
Northwest	68%	11%	7%	11%
West	50%	16%	16%	13%
Southwest	52%	15%	11%	17%
North/Central Puget Sound	68%	10%	16%	2%
South/East Puget Sound	60%	18%	10%	9%
Overall	59%	16%	11%	9%

Among participants in the multilingual focus groups, the most preferred principles were *fairness* and *transparency* (Figure 18).

FIGURE 18: MULTILINGUAL FOCUS GROUP PARTICIPANTS' PREFERENCES ABOUT THE TAX PRINCIPLES, BY LANGUAGE

Focus Group	Which principle is most important? (numbers indicate the number of participants)			
	Fairness	Transparency	Adequacy	Stability
Korean	4	2	2	0
Russian	1	3	1	1
Spanish	3	3	0	1
Vietnamese	2	2	0	0
Cantonese	3	3	1	0

For the “We Go to You” Meetings, the project team participated in meetings hosted by various web platforms that did not always accommodate polling. As such, the “We Go to You” meetings included discussions about principles, but no consistent quantitative polling of preferences.

Definitions of Fairness

Although Tax Town Halls participants preferred *fairness* over other tax principles, they differed in their preferred definitions of *fairness*. Overall, over half of participants chose *capacity* as their definition of fairness and fewer than half chose *consistency* (Figure 19 19). However, there were regional differences: more participants in the Central and Southwest regions preferred *consistency* as their definition of a fair tax system.

FIGURE 19: TAX TOWN HALL PARTICIPANTS' PREFERENCES ABOUT THE DEFINITION OF FAIRNESS, BY REGION

Region	What does a fair tax system look like?			
	Capacity	Consistency	Both	Neither
East	55%	43%	N/A	N/A
Central	31%	33%	27%	9%
Northwest	51%	22%	21%	6%
West	55%	22%	16%	7%
Southwest	19%	39%	36%	6%
North/Central Puget Sound	68%	9%	19%	2%
South/East Puget Sound	48%	27%	19%	6%
Overall	50%	26%	19%	5%

Among multilingual focus group participants, most chose *capacity* as their definition of fairness (Figure 20).

FIGURE 20: MULTILINGUAL FOCUS GROUP PARTICIPANTS' PREFERENCES ABOUT THE DEFINITION OF FAIRNESS, BY LANGUAGE

Focus Group	What does a fair tax system look like?		
	Capacity	Consistency	Both
Korean	7	0	0
Russian	5	0	0
Spanish	2	1	2
Vietnamese	1	0	0
Cantonese	4	1	0

For the “We Go to You” Meetings, the project team participated in meetings hosted by various web platforms that did not always accommodate polling. As such, the “We Go to You” meetings included discussions about principles, but no consistent quantitative polling of preferences.

Current Tax Structure

Throughout the engagement process, participants often reflected on the current tax structure. Participants expressed appreciation for the current tax structure’s simplicity and stability (Figure 21) but expressed concerns about it being regressive (Figure 22). Overall, during the Tax Town Halls and “We Go to You” meetings, participants shared over twice as many statements of concerns regarding the current tax structure for individuals as they shared statements of support. During these same meetings, participants shared nearly twice as many statements of concerns regarding business taxes as statements of benefits. Similar to the findings from the [2018 public meetings](#), many participants’ concerns regarding the existing tax structure outweigh their support. As such, it can be inferred that many participants support changes to Washington’s current tax structure.

FIGURE 21: BENEFITS SHARED ABOUT WASHINGTON'S CURRENT TAX STRUCTURE

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> Stability in revenue for government services and programs. Simple for taxpayers to understand and pay the tax.
We Go to You Meetings	<ul style="list-style-type: none"> Simple for taxpayers to understand and pay the tax. Consistent application across taxpayers.

“I am accustomed with managing the current business tax structure and it scares me to start making changes.”

FIGURE 22: CONCERNS SHARED ABOUT WASHINGTON'S CURRENT TAX STRUCTURE

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> Current tax system is regressive; people with lower incomes pay a higher proportion of their income on taxes. Discourages economic growth. Concern that the state continually increases taxes.
We Go to You Meetings	<ul style="list-style-type: none"> Current tax system is regressive; people with lower incomes pay a higher proportion of their income on taxes. Wealthy people and large businesses can easily find loopholes. Concern that the current tax structure disproportionately impacts people in poverty or communities of color.

“Currently, taxing impacts lower income communities most, which is the opposite of fair or adequate.”

Scenario A – Change Property Tax Limit Factor

Scenario A aims at addressing adequacy by replacing the current property tax limit factor with a new inflation factor tied to the cumulative rates of population growth and inflation. Across engagement sources, there was not broad support for Scenario A (Figure 23). Participants shared concerns about property taxes continuing to increase over time (Figure 24).

Benefits

Below are the key benefits shared to date about Scenario A.

FIGURE 23: BENEFITS SHARED ABOUT SCENARIO A

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> Support for stability in revenue for government services and programs.
We Go to You Meetings	<i>No strong, consistent themes re: benefits</i>

“We do need to adjust for inflation. But I don’t see a reason to increase based on population. More people would be more taxpayers.”

Concerns

Below are the main concerns shared to date about Scenario A.

FIGURE 24: CONCERNS SHARED ABOUT SCENARIO A

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> A change could result in increasing property taxes. Higher property taxes are regressive, especially towards seniors who want to age in place.
We Go to You Meetings	<i>No strong, consistent themes re: concerns</i>

Areas of Improvement and Questions

Many participants had concerns that a new property tax limit factor would result in increasing property taxes, with disproportionate impacts on seniors with fixed incomes. Several participants shared that Washington’s property tax exemption program for seniors is inadequate and would not sufficiently protect seniors if property taxes increased under Scenario A.

During one Tax Town Hall, discussions about the property tax limit factor led to a broader conversation about property taxes. A participant recommended that the TSWG look into a “Land Value Tax” (LVT), which is a tax on the unimproved value of land. Unlike property taxes, it disregards the value of buildings, personal property and other improvements to real estate. The LVT is a key tenet within Georgism.

Scenario B – Update Property Tax and Tax Personal Wealth

Scenario B addresses the fairness of the tax system by adding a wealth tax and a primary residence property tax exemption. The wealth tax would be a 1% tax on financial property (such as stocks and bonds), with the first \$1 billion exempt. The state property tax exemption would be on the first \$250,000 of value on a property owner’s primary residence. Participants expressed support for the idea of the wealthiest Washingtonians paying more in taxes (Figure 25), but overall, participants had more concerns than support for a wealth tax. Specifically, participants expressed concerns that a wealth tax would not be a stable tax base given how easily billionaires can leave the state (Figure 26).

Benefits

Below are the key benefits shared to date about Scenario B.

FIGURE 25: BENEFITS SHARED ABOUT SCENARIO B

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> Wealthy individuals would pay more in taxes based on their capacity to pay.
We Go to You Meetings	<ul style="list-style-type: none"> Wealthy individuals would pay more in taxes based on their capacity to pay.
Multilingual Focus Groups	<ul style="list-style-type: none"> Wealthy individuals would pay more in taxes based on their capacity to pay.

Concerns

Below are the main concerns shared to date about Scenario B.

FIGURE 26: CONCERNS SHARED ABOUT SCENARIO B

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> Wealthy individuals can easily leave Washington or find loopholes. In the future, the wealth tax might be applied to individuals with much less financial property (“slippery slope”). The threshold of \$1 billion is too high and should be lower.
We Go to You Meetings	<ul style="list-style-type: none"> Wealthy individuals can easily leave Washington or find loopholes.
Multilingual Focus Groups	<ul style="list-style-type: none"> The \$250,000 threshold is too low and should be higher.

“What would stop the \$1 billion from going to \$100,000?”

“I think \$1 billion threshold is too high. I would prefer \$100 million. This is still a lot of money!”

“I’m concerned about stability of this. How many billionaires are there?”

Areas of Improvement and Questions

Several participants raised questions about benefits for renters under Scenario B since the property tax exemption would only directly benefit property owners. A few participants suggested that the property tax exemption should be different amounts across the state based on the average assessed value of property. They noted that in some urban areas with high property values, a \$250,000 property tax exemption would not be as significant compared to areas with lower relative prices. Some participants asked questions about the relative shift in property taxes. The scenario is designed to have no “shift” in the nominal tax burdens (property tax burden rates will be the same), however, more of the overall property tax collections will come relatively from commercial payers since the residential tax base is lessened from the exemption.

Scenario C – Replace B&O Tax with Value Added Tax and Employer Compensation Tax

Scenario C addresses fairness by eliminating the business and occupation (B&O) tax, adding a subtraction-method value added tax (VAT), and adding an employer compensation tax. Most participants did not express support for a VAT and employer compensation tax combination. Participants noted that the VAT was fairer to small and low-margin businesses (Figure 27 27) and expressed concern that the VAT would be too complicated for businesses to implement (Figure 28). They also expressed concerns that the employer compensation tax might hinder economic growth.

Benefits

Below are the key benefits shared to date about Scenario C.

FIGURE 27: BENEFITS SHARED ABOUT SCENARIO C

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none">• VAT and employer compensation tax would be a benefit since more profitable businesses would pay more.• VAT would offer relief for small businesses and low-margin businesses.• The employer compensation tax would be beneficial due to its consistent application across businesses above a certain threshold.
We Go to You Meetings	<i>No strong, consistent theme re: benefits</i>

Concerns

Below are the main concerns shared to date about Scenario C.

FIGURE 28: CONCERNS SHARED ABOUT SCENARIO C

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> • The VAT would be too complicated for businesses. • The VAT is not appropriate for all industries. • The VAT and employer compensation tax would discourage economic growth. • Big businesses would find loopholes to paying the employer compensation tax.
We Go to You Meetings	<ul style="list-style-type: none"> • The VAT is too complicated for taxpayers. • The employer compensation tax would discourage economic growth, including discouraging large companies from paying employees well or hiring employees in Washington.

“Taxing the wages of an employee disincentivizes the businesses to increase the employee’s compensation. I can see businesses working around it with fringe benefits that aren’t wages.”

“New Hampshire is the only state with a VAT, but it is so complicated that businesses need accountants.”

Areas of Improvement and Questions

One participant pointed out that the VAT poses challenges for service companies, since “everything they earn is value added because there’s no product.” This participant suggested that the definitions within a VAT should recognize the position of service companies. A few other participants noted that a VAT does not work well with agricultural businesses.

Another concern was related to how this scenario would affect different types of corporations. Generally, under S corporations, shareholders report profits on their individual income tax returns whereas C corporations pay corporate income taxes.

Notable questions regarding Scenario C include:

- For the employer compensation tax, what happens when employees become contractors?
- Does the employer compensation tax apply to public entities?

Scenario D – Replace B&O Tax with Margins Tax and Employer Compensation Tax

Scenario D addresses fairness by eliminating the B&O tax, adding a margins tax, and adding an employer compensation tax. Participants expressed support for a margins tax but had concerns about pairing the margins tax with an employer compensation tax. Participants indicated that the margins tax could be fairer to smaller businesses than the B&O tax (Figure 29), but the employer compensation tax might hinder economic growth (Figure 30). Note that given the complexity of business taxes, participants described their concerns but did not always use the correct terminology for specific tax types.

Benefits

The table below shows the key benefits shared to date about Scenario D.

FIGURE 29: BENEFITS SHARED ABOUT SCENARIO D

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> • More profitable businesses would pay more with a margins tax and employer compensation tax. • A margins tax would offer relief for small and low-margin businesses.
We Go to You Meetings	<i>No strong, consistent theme re: benefits</i>

“A margins tax could work if what can be deducted from gross revenues is simple and clearly spelled out.”

Concerns

Below are the main concerns shared to date about Scenario D.

FIGURE 30: CONCERNS SHARED ABOUT SCENARIO D

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> • The employer compensation tax would discourage economic growth. • The margins tax could be too complicated for businesses to change to or implement.
We Go to You Meetings	<ul style="list-style-type: none"> • The margins tax could be too complicated for the taxpayer. • The employer compensation tax would discourage economic growth, including discouraging large companies from paying employees well or hiring employees in Washington.

“I don’t know if B&O is actually simpler, but it feels like a more straightforward calculation than a margins tax.”

Areas of Improvement and Questions

One participant shared that giving businesses the option to deduct either payroll or 30 percent could have unfair consequences, particularly if companies are sophisticated enough to be strategic in determining tax liability. For example, companies may be able to pass through profits to shareholders and thus take a payroll deduction, or otherwise inflate expenses to reduce the differential between revenue and expenses

Participants raised similar concerns about Scenario D as they did with Scenario C in terms of how Scenario D would affect different types of corporations. As explained above, generally, under S corporations, shareholders report profits on their individual income tax returns whereas C corporations pay corporate income taxes.

Scenario E – Tax Personal Income and Corporate Income at a Flat Rate

Scenario E addresses stability and fairness by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a flat corporate income tax (CIT), and adding a flat personal income tax (PIT). Across engagement sources, there were more comments expressing concerns about a flat personal income tax (PIT) and corporate income tax (CIT) than comments in support. Participants expressed support for the idea of wealthier individuals/businesses paying more based on their capacity to pay with a flat personal income tax and flat corporate income tax (Figure 31 31), while also expressing concerns about future potential increases in tax rates (Figure 32).

Benefits

Below are the key benefits shared to date about Scenario E.

FIGURE 31: BENEFITS SHARED ABOUT SCENARIO E

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> • Flat PIT would require wealthier individuals to pay more in taxes based on their capacity to pay. • Flat PIT would provide a stable revenue source to support government services. • Flat CIT would provide some consistency in how businesses pay taxes.
We Go to You Meetings	<ul style="list-style-type: none"> • Flat PIT would require wealthier individuals to pay more in taxes based on their capacity to pay. • Representatives of priority communities expressed that simplicity was an advantage for a flat PIT and flat CIT. • Representatives of priority communities expressed support for a personal income tax since it would provide relief for people on fixed incomes.
Multilingual Focus Groups	<i>No strong, consistent themes re: benefits</i>

“Especially for small businesses like mine, there is a huge difference between taxes based on my net income and my gross revenue.”

Concerns

Below are the main concerns shared to date about Scenario E.

FIGURE 32: CONCERNS SHARED ABOUT SCENARIO E

Engagement Source	Most Common Concerns Heard
Tax Town Halls	<ul style="list-style-type: none"> The flat PIT would increase over time (“slippery slope”). A flat PIT and CIT would be regressive and have disproportionate negative impacts on lower-income taxpayers/small businesses.
We Go to You Meetings	<ul style="list-style-type: none"> The flat PIT and flat CIT would increase over time (“slippery slope”). A flat PIT and CIT would be regressive and have disproportionate negative impacts on lower-income taxpayers/small businesses. A flat CIT would discourage economic growth.
Multilingual Focus Groups	<ul style="list-style-type: none"> PIT could discourage economic growth. PIT, sales tax, and property tax would increase over time (“slippery slope”).

“I like the idea of a corporate income tax, but high margin businesses aren’t going to like it.”

Areas of Improvement and Questions

Several participants recommended a lower tax rate for a flat personal income tax and flat corporate income tax. Some participants also said that they would be open to a flat income tax that was paired with property tax and sales tax reductions if there were safeguards in place to ensure that property taxes and sales taxes would not increase in the future. A few participants suggested changes to the Washington State constitution to ensure these safeguards. While overall there were concerns regarding the CIT, the TSWG should look into how specific industries might benefit from a CIT. For example, representatives from auto dealerships attended multiple Tax Town Halls and expressed support for the CIT. Finally, a small number of participants suggested that a flat income tax rate be somehow tied to inflation.

Scenario F – Tax Personal Income and Corporate Income at a Progressive Rate

Scenario F addresses stability and fairness by reducing the state sales tax, reducing the state property tax, eliminating the B&O tax, adding a progressive PIT, and adding a progressive PIT. Across engagement sources, there were more comments expressing concerns about a progressive personal income tax and progressive corporate income tax than comments in support of these taxes. Participants expressed support for wealthier individuals/businesses paying “their fair share” with a progressive personal income tax and progressive corporate income tax (Figure 33 33), but also expressed concerns about future potential increases in tax rates (Figure 34).

Benefits

Below are the key benefits shared to date about Scenario F.

FIGURE 33: BENEFITS SHARED ABOUT SCENARIO F

Engagement Source	Most Common Benefits Heard
Tax Town Halls	<ul style="list-style-type: none"> Progressive PIT and CIT would require wealthier individuals/ businesses to pay more in taxes based on their capacity to pay. Progressive PIT would give government another source of revenue to pay for services.
We Go to You Meetings	<ul style="list-style-type: none"> Progressive PIT would require wealthier individuals to pay more in taxes based on their capacity to pay. Representatives of priority communities expressed support for a progressive personal income tax since it would provide relief for people on fixed incomes.
Multilingual Focus Groups	<i>No strong, consistent themes re: benefits</i>

“A progressive tax based on percentage of income is fairer to working class families.”

Concerns

Below are the main concerns shared to date about Scenario F.

FIGURE 34: CONCERNS SHARED ABOUT SCENARIO F

Engagement Source	Top Concerns
Tax Town Halls	<ul style="list-style-type: none"> The progressive PIT would increase over time (“slippery slope”). A progressive CIT would hinder economic growth.
We Go to You Meetings	<ul style="list-style-type: none"> The progressive PIT would increase over time (“slippery slope”). Representatives of priority communities expressed concerns over the progressive personal income tax if somehow a low-income person’s overall tax burden ended up being higher.
Multilingual Focus Groups	<ul style="list-style-type: none"> PIT could discourage economic growth. PIT, sales tax, and property tax would increase over time (“slippery slope”). Adding a PIT would be regressive and have disproportionate negative impacts on lower-income taxpayers.

“I do not support more government tax dollars spent on litigating what voters have rejected.”

Areas of Improvement and Questions

Similar to Scenario E, many participants wanted safeguards against future sales tax and property tax increases if a progressive PIT was introduced. Some participants had questions about how a progressive PIT and CIT would be compatible with federal taxes. One email suggested that the progressive PIT should only apply to people who earn income over approximately \$150,000 or \$200,000. A few participants had questions about how a progressive tax rate would be linked to inflation or not. One participant made the case for Washington State adopting a state income tax that was calculated by taking a percentage of the taxpayer's federal graduated income tax.

Email Results

Washington residents sent 25 emails to info@taxworkgroup.org in fall 2021. There were comments covering all six scenarios. However, for scenarios A-E, there were not any consistent or dominant themes. For scenario F (progressive personal income tax and progressive corporate income tax), six emails were in support of progressive income taxes for the reason that they require wealthy individuals and profitable companies to pay more in taxes based on their capacity to pay. There were not any consistent themes regarding concerns with scenario F.

Comments Outside the TSWG's Scope

The TSWG's scenarios were intended to be revenue-neutral and the tax types under consideration were related to the state's general fund. However, some participants shared comments and ideas that were not related to the TSWG's scope and purpose. These contributions were related to the following themes:

- It is more important to address "overspending" than reconsider tax structures.
- The state government needs to be more transparent in its spending before creating new tax structures.
- The state needs more revenue to address public services and support the neediest.
- The state needs to reduce the gas tax.

Conclusion

During fall 2021, the TSWG reached thousands of Washingtonians across a range of engagement methods. This interim engagement report summarizes the findings from 14 Tax Town Halls, 29 presentations at community and business groups, and 5 multilingual focus groups. Across these engagement methods, participants shared concerns and benefits regarding six different tax scenarios.

The TSWG will keep the surveys open through January 31, 2022. The final engagement report in spring 2022 will include qualitative and quantitative analyses of the survey results. The TSWG will use the final engagement report to inform their future policy recommendations to the Washington State Legislature.

Appendix

Appendix A – Final Tax Town Hall Slide Deck	Appendix Page 1
Appendix B – Multilingual Focus Group Discussion Guide	Appendix Page 72
Appendix C – Long Survey Questions	Appendix Page 75
Appendix D – Short Survey Questions	Appendix Page 89
Appendix E – Multilingual Focus Group Summaries	Appendix Page 93



Welcome to the Tax Town Hall Greater Seattle Region (South/East Puget Sound)

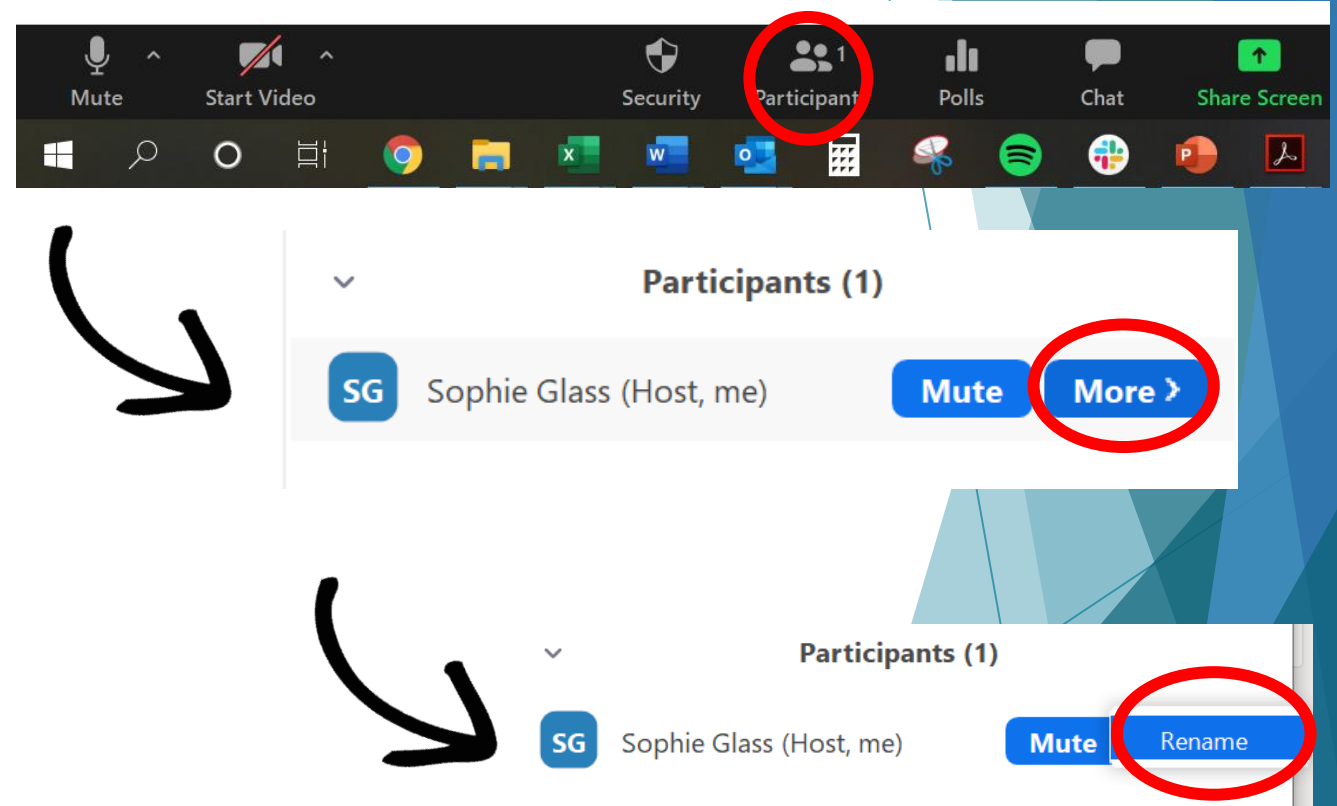
Evening Session

Washington State Tax
Structure Work Group



Meeting Set-Up

- ▶ For **participants** - Change your “participant name” to your name and the organization you represent (if representing a group other than yourself).
- ▶ For **legislators** - Change your “participant name” to “Senator - Name” or “Rep - Name”.



District/Jurisdiction	Title	First Name	Last Name
Port of Tacoma	Commissioner	Kristin	Ang
City of Tacoma	Mayor	Victoria	Woodards
City of Kent	Councilmember	Brenda	Fincher
City of Issaquah	Councilmember	Barbara	de Michele
City of Federal Way	Councilmember	Gregory	Baruso
City of Burien	Councilmember	Sofia	Aragon
5 th Legislative District	Representative	Bill	Ramos
5 th Legislative District	Representative	Lisa	Callan
39 th Legislative District	Senator	Keith	Wagoner
48 th Legislative District	Representative	Amy	Walén
48 th Legislative District	Representative	Vandana	Slatter
41 st Legislative District	Senator	Lisa	Wellman
47 th Legislative District	Representative	Debra	Entenman
36 th Legislative District	Representative	Noel	Frame
33 rd Legislative District	Senator	Karen	Keiser
33 rd Legislative District	Representative	Mia	Gregerson
30 th Legislative District	Representative	Jesse	Johnson
28 th Legislative District	Representative	Mari	Leavitt
27 th Legislative District	Representative	Laurie	Jinkins
26 th Legislative District	Representative	Jesse	Young
25 th Legislative District	Representative	Kelly	Chambers
25 th Legislative District	Representative	Cyndy	Jacobsen
20 th Legislative District	Representative	Ed	Orcutt
11 th Legislative District	Senator	Bob	Hasegawa
Dep't of Revenue	n/a	Dean	Carlson



Why did we ask you
to join us today?

- ▶ To hear your interests, values, and preferences about Washington State's taxes
- ▶ Help guide the Tax Structure Work Group as it considers possible changes to WA's tax structure

Today's Conversation

Share	Share background information about Washington State taxes
Breakout	Discuss different tax ideas for the future
Wrap up	Wrap up and next steps

Participation Ground Rules

- ▶ There are no wrong answers
- ▶ Respect others' point of view and opinions
- ▶ Share where you live before speaking
- ▶ Elected officials in listening mode



If you cannot uphold these ground rules, we will ask you to leave.

Appendix A Technical Ground Rules

- ▶ Remain on mute unless speaking
- ▶ Send a chat directly to Anna Shepherd or call 503-901-9275 with any technical difficulties.
- ▶ Submit questions for presenters via chat*
- ▶ The private chat is turned off
- ▶ Closed captioning available (click 3 dots)



*All information entered into the chat box is part of the public record and will be shared as part of the public meeting summary.

What is one word or phrase that comes to mind when you hear the word 'tax'?

Type your answer in the chat

Who is the Tax Structure Work Group (TSWG)?



Rep. Noel Frame, Co-Chair (D-Greenwood)



Sen. Keith Wagoner, Co-Chair (R-Sedro-Woolley)



Rep. Pat Sullivan (D-Covington)



Rep. Ed Orcutt (R-Kalama)



Rep. Jesse Young (R-Gig Harbor)



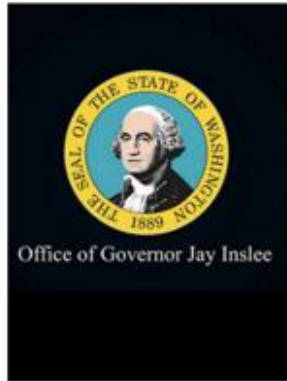
Sen. Joe Nguyen (D-White Center)



Sen. Lisa Wellman (D-Mercer Island)



Sen. Phil Fortunato (R-Auburn)



Scott Merriman, Governor's Legislative Liaison



Dean Carlson, Senior Tax Policy Coordinator, DOR



Mayor Anne McEnery-Ogle, City of Vancouver (representing the Association of Washington Cities)



Councilmember Derek Young, Pierce County (representing the Washington State Association of Counties)

GOAL:

To improve Washington's state taxes to better serve the people of Washington.

What is the Tax Structure Work Group?

Why Are We Talking About This Now?

In 2018, the Work Group held public meetings across the state and heard...

Taxes for individual taxpayers are unfair!



Taxes for businesses are unfair!



Where Are We in the Process?

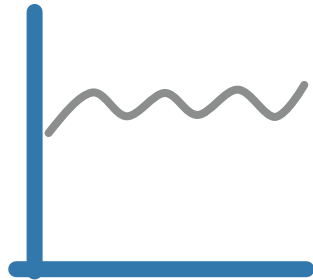


Why update taxes?

Zoom Poll: What principle is most important to you?



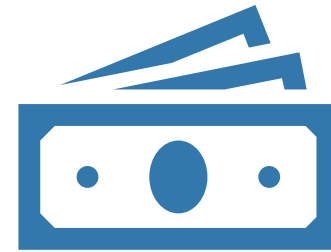
Fairness



Stability



Transparency



Adequacy

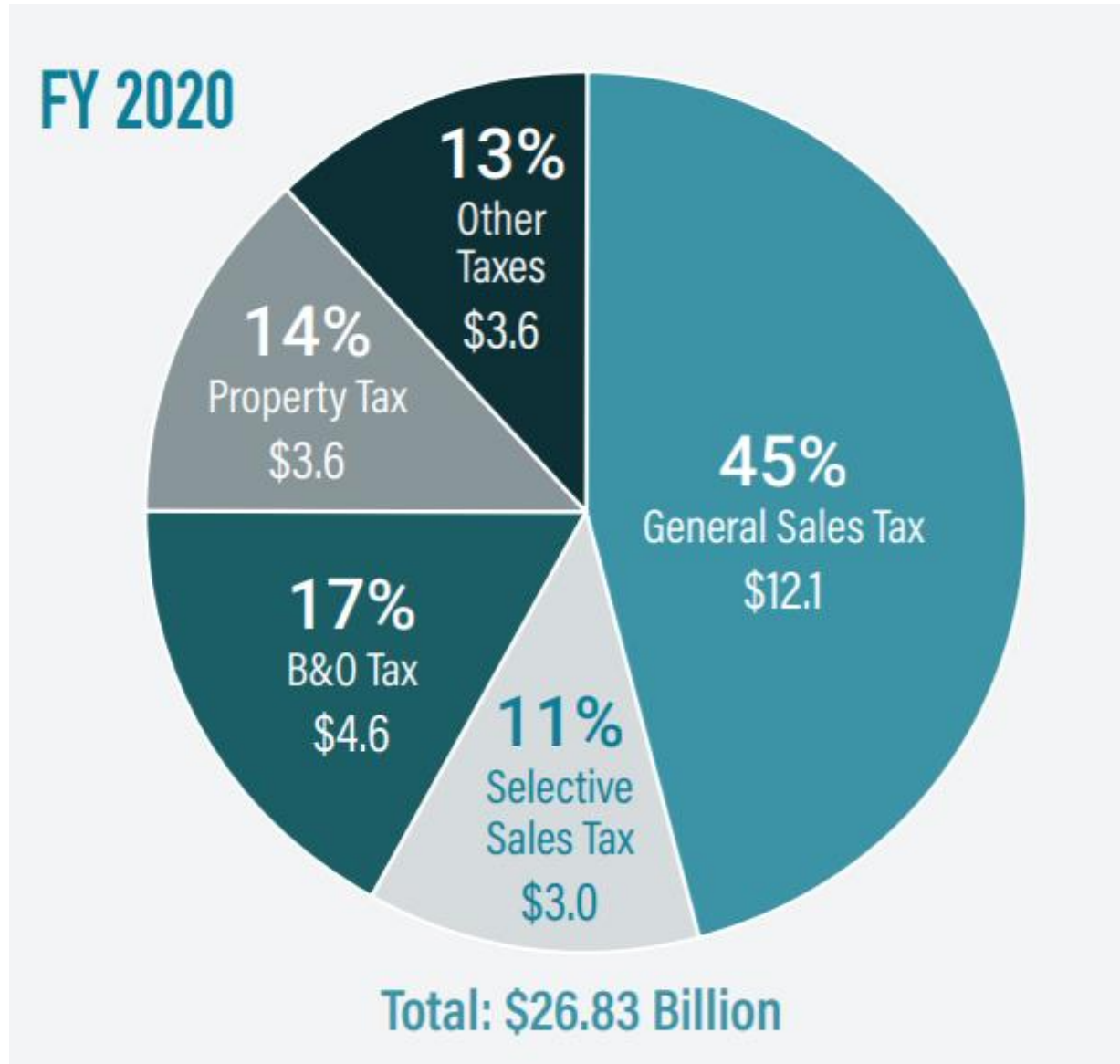
Zoom Poll: What is a fair tax system?

Which statement best matches your sense of a fair tax for individuals and businesses?



- a. **Capacity:** Those individual and business taxpayers with **higher incomes** or revenue should pay a **higher percentage** of their income or revenue in taxes, and those with **lower incomes** or revenue should pay a **lesser percentage**
- b. **Consistency:** All individual and business taxpayers should **pay the same percent** of their income or revenue on taxes regardless of their income

Washington State Taxes in 2020



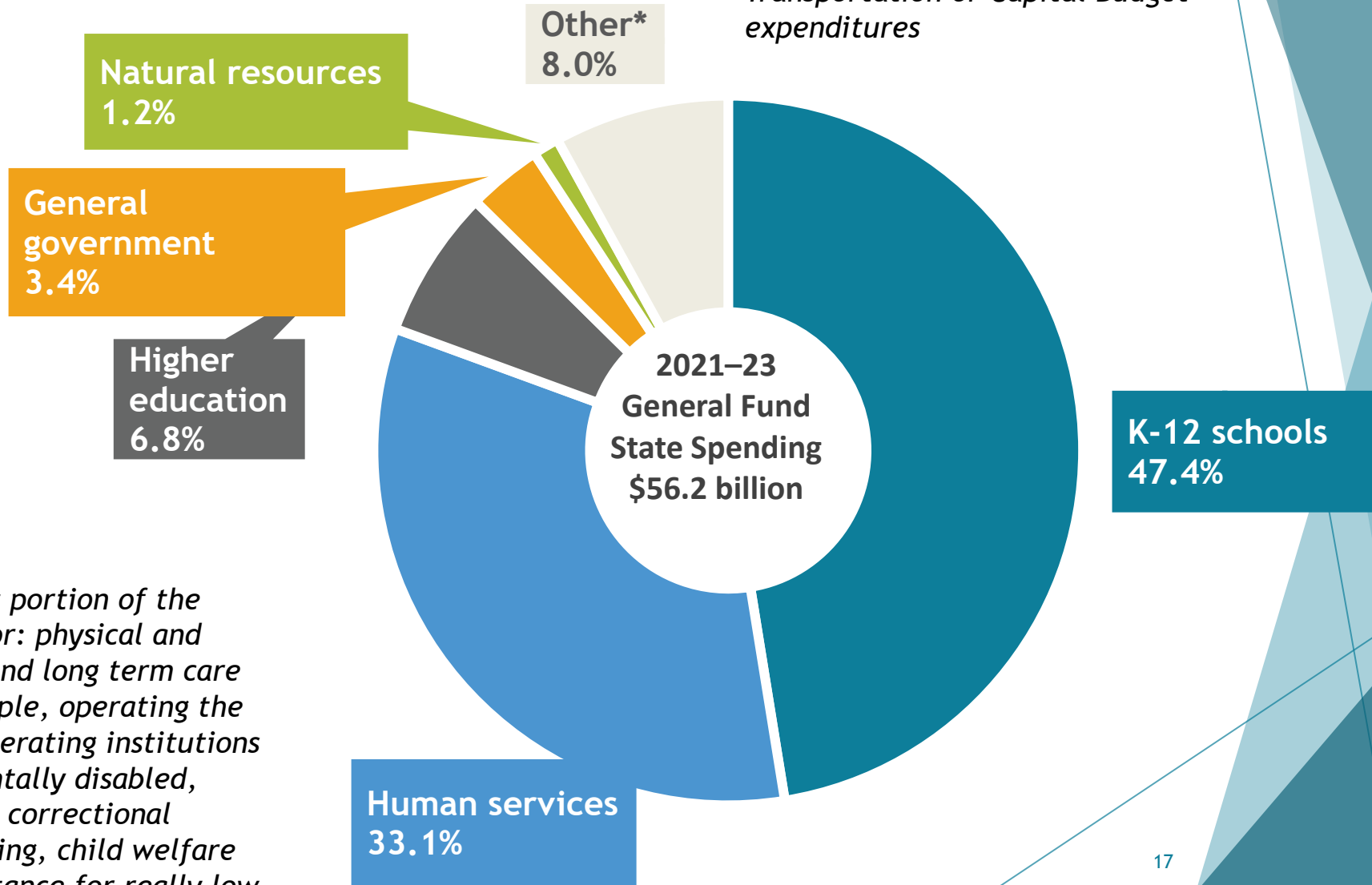
Source: WA Department of Revenue

Appendix A How the money is spent

Distribution of 2021-23 state operating expenditures (General-Fund State)

*This does not include
Transportation or Capital Budget
expenditures*

**Other includes debt service, pensions contributions to law enforcement, fire fighters and judges, other education agencies, transportation and special appropriations.*



The human services portion of the budget helps pay for: physical and behavioral health and long term care for low income people, operating the states hospitals, operating institutions for the developmentally disabled, operating the state correctional system, early learning, child welfare and economic assistance for really low income individuals.

How can taxes be improved?

Tax Scenarios: Ideas for You to Consider

Update Property
Tax and Tax
Personal Wealth



Property Tax



Wealth Tax

Replace B&O Tax
and add Employer
Compensation Tax



B&O Tax



Value Added Tax
or Margins Tax



Employer
Compensation Tax

Tax Personal
Income and
Corporate Income



B&O Tax



Sales Tax



Property Tax



Personal
Income Tax



Corporate
Income Tax

Change Property
Tax Limit Factor



Property Tax

But wait - isn't an income tax unconstitutional?

In the past, the Washington State Supreme Court has found that a **progressive/graduated income tax** is unconstitutional.

If the Tax Structure Work Group wanted to move forward with an income tax based on feedback from the public, it would have to address constitutional issues.



But wait - what if I'm happy with the tax structure?

If the Tax Structure Work Group hears a desire to change the state's taxes, there might be recommendations from the Work Group to the Legislature.

Scenarios are meant to stimulate conversation - they aren't policies.




Questions and Comments?

If any questions cannot be answered during the breakout group, we will follow up with you afterwards



For general feedback about the presentation contact info@taxworkgroup.org

Breakout Rooms



Focus on Individuals

Discussion Topics

- Property Tax
- Wealth Tax
- Personal Income Tax



Focus on Business

Discussion Topics

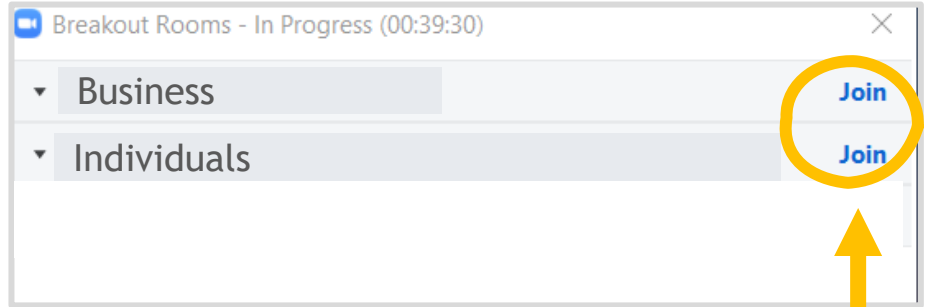
- Business and Occupation Tax
 - Margins Tax
 - Value Added Tax
- Corporate Income Tax
- Employer Compensation Tax

Reminder: If you are an elected official, please add your title to your username in Zoom.

Breakout Room Zoom Instructions (on the computer)

Step 1: Click the 'Breakout Rooms' icon at the bottom of your screen

Note: If this bar doesn't show up on the bottom of your screen, press 'ALT' on your keyboard



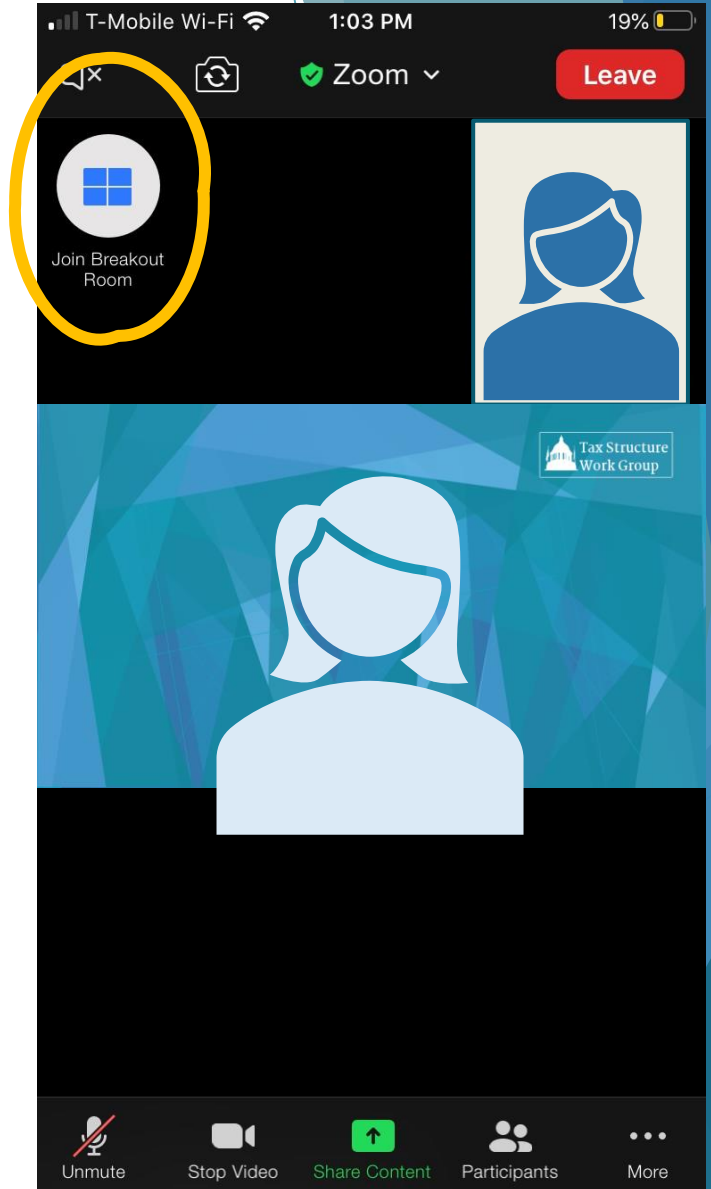
Step 2: Click 'Join' to choose your Breakout room

****Repeat Steps 1 and 2 to jump from one Breakout Room to another**

Breakout Room Zoom Instructions (on phone or tablet)

Steps

1. Tap the screen with your finger
2. Locate the 'Join Breakout Room' pop-out found in the top left corner of your screen
3. Click 'Join Breakout Room'
4. Select to join one of the 3 rooms



Breakout Room for Taxes Affecting Individuals/Households



Participation Ground Rules

- ▶ There are no wrong answers
- ▶ Respect others' point of view and opinions
- ▶ Share where you live before speaking
- ▶ Elected officials in listening mode

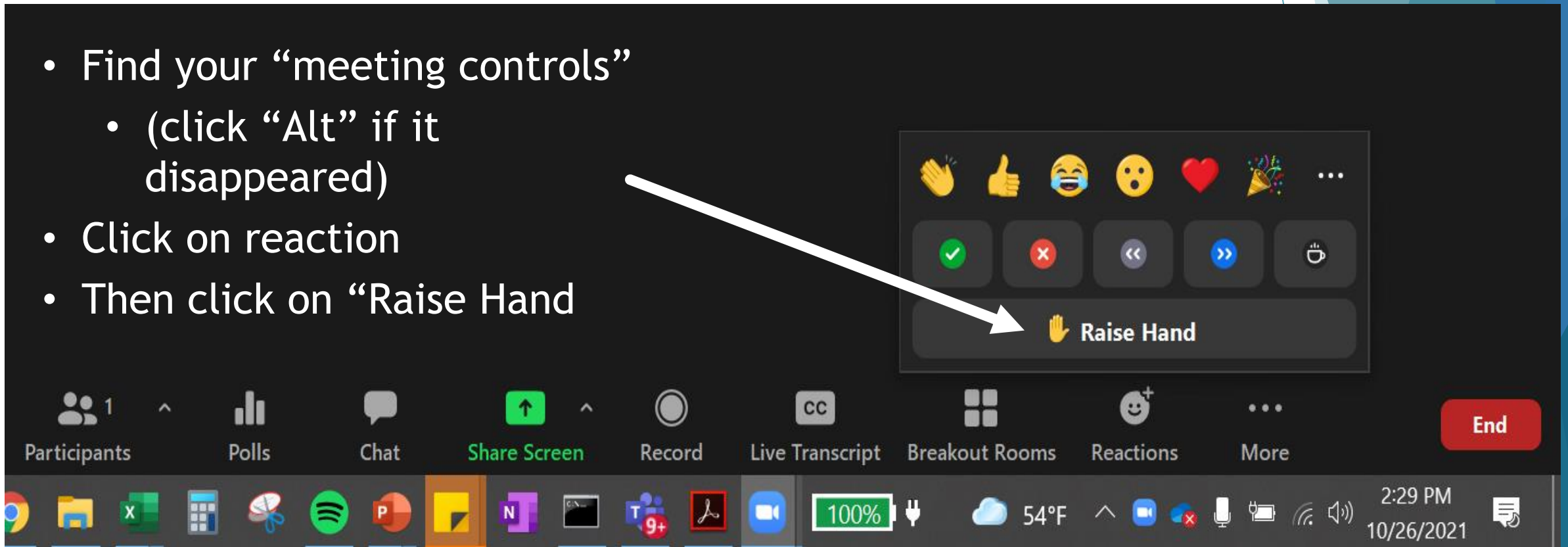
Reminder



If you cannot uphold these ground rules, we will ask you to leave.

Hand Raising Feature

- Find your “meeting controls”
 - (click “Alt” if it disappeared)
- Click on reaction
- Then click on “Raise Hand



Breakout Room for Individuals

Share your name and
where you live in the
chat box



Scenario: Updating the Property Tax and Taxing Personal Wealth to Address Fairness



Updating the State Property Tax

- Property Tax: Taxes on land and buildings



Property Tax \$

=



State revenue

+

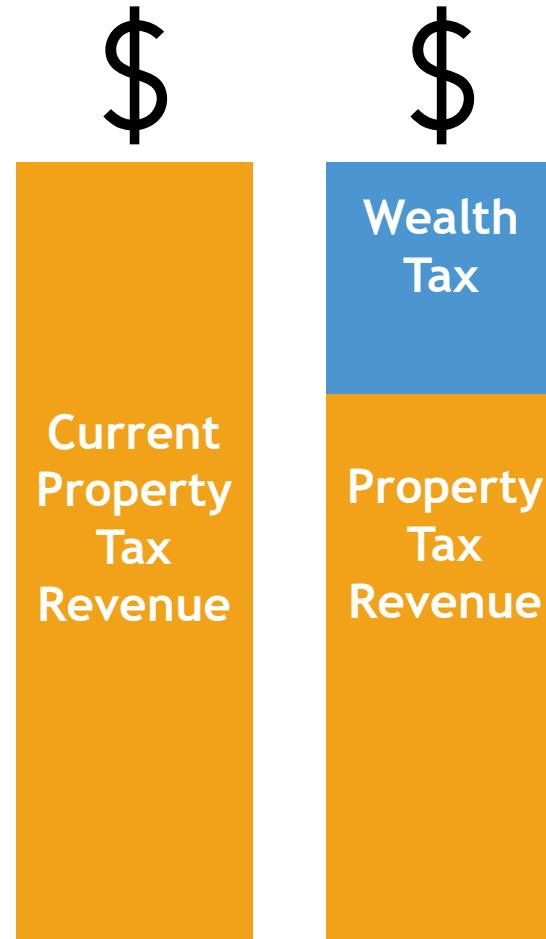


Local revenue -
School, fire,
park districts,
local levies, etc.

Scenario

Wealth Tax: 1% tax on financial property (stocks, bonds, etc.), with the first \$1 billion exempt

Property Tax exemption: The first \$250,000 of a person's primary residence value would not be taxed.



Discussion: Which is fairer?

Maintain
current
property
tax

1



3 Neither

Add a
wealth tax
+
decrease
current
property
tax

2

Scenario: Introducing a Corporate Income Tax and Personal Income Tax to Address Stability



Current Tax Structure



B&O Tax



Sales Tax



Property Tax

Scenario



B&O Tax



Sales Tax



Property Tax



Corporate Income Tax



Personal Income Tax

Personal Income Tax

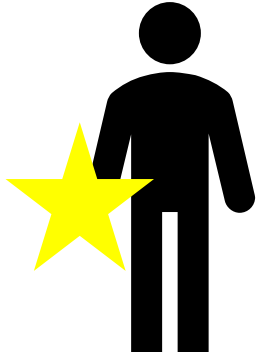
Tax on the **income**
people earn



Progressive Tax: As a person's income increases their tax rate would also increase.

Flat Tax: All people's income would be taxed at the same flat rate.

Scenario



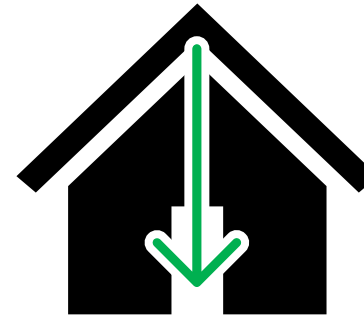
Personal Income Tax

*3.7% flat tax
2.1% - 4.2% progressive tax*



Sales Tax

*Reduction from
6.5% to 4.5%*



Property Tax

*Deduction on first
\$250,000 of
assessed value of
primary residence*

Discussion: What is fairer?

Maintain
current
sales and
property
taxes

1



Neither!

4

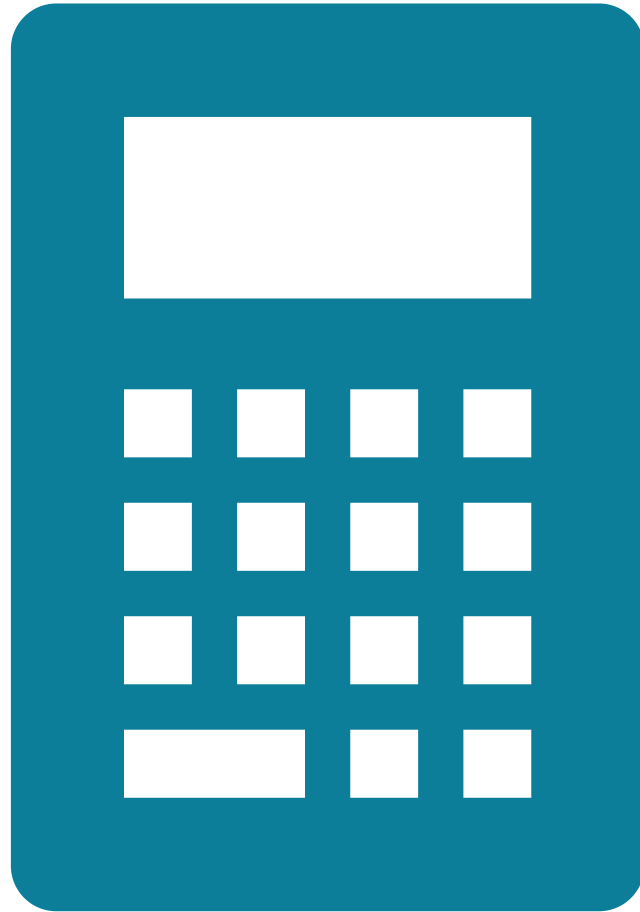
Decrease sales
and property
taxes
+
add a
progressive
income tax

2

Decrease sales
and property
taxes
+
add a flat
income tax

3

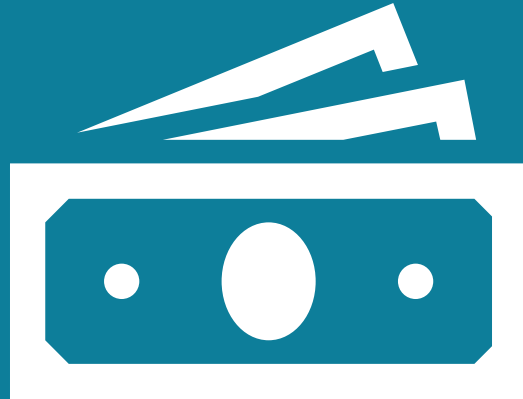
Tax Calculator Demo (Income Tax Scenarios)



Questions or Comments about the Income Tax Scenario?

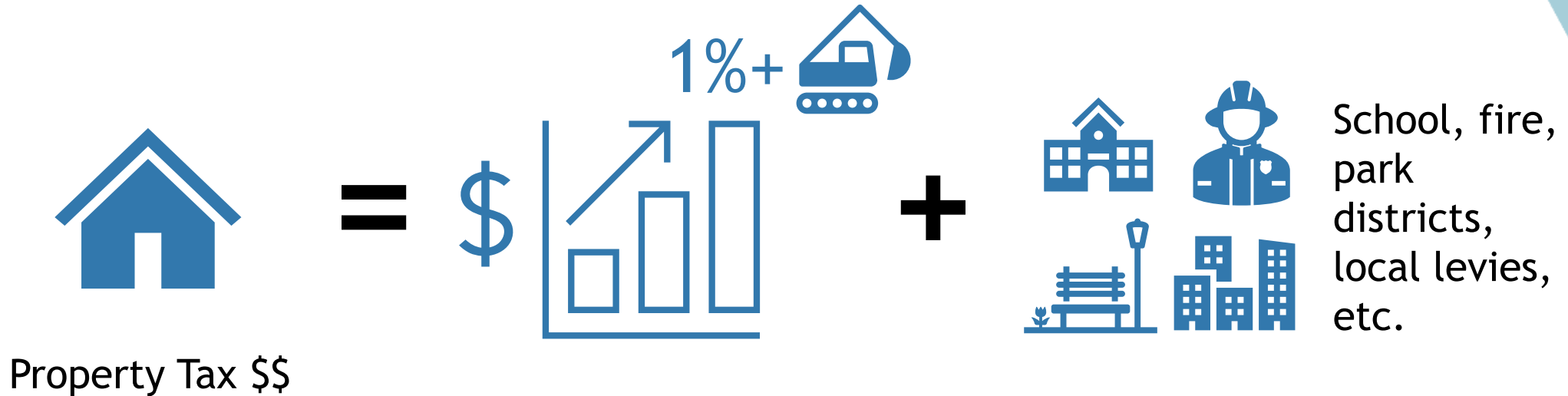


Scenario: Updating the Property Tax to Address Adequacy



Updating the State Property Tax

- **Property Tax:** Taxes on land and buildings
- **Property Tax 1% Growth Limit:** By law, the annual growth of property tax by the state is limited to 1% growth (not including local levies) + new construction add-on value



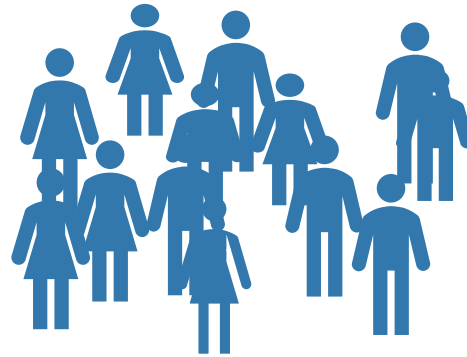
Scenario

Change the state property tax to fund education as the state grows by increasing the property tax limit factor to match our economy's growth (inflation and population)



**Property
Tax Limit
Factor**

=



**Population
Growth**

+



Inflation

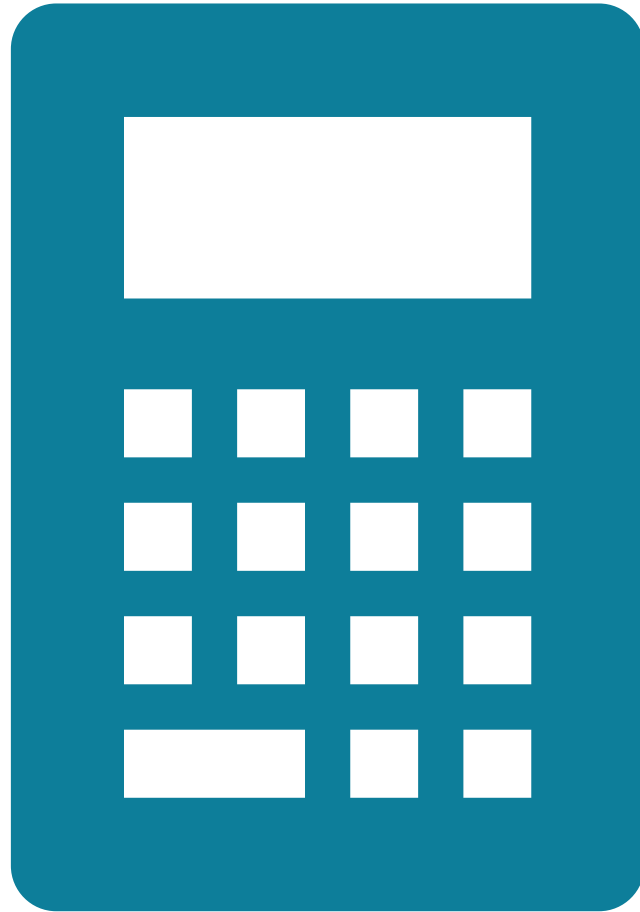


Discussion: Which is fairer?

What do you think is a better limit on how much property tax revenues can grow?

1. The current system of 1% maximum growth per year.
2. A revised limit based on growth of population and inflation.
3. I am not sure

Tax Calculator Preview (Property Tax Scenarios)



Questions and Comments?



For general feedback about the presentation
contact info@taxworkgroup.org

Business & Occupation Tax

~~B&C~~ Tax

Value-Added Tax

Employer Compensation Tax

Corporate Income Tax

Margins Tax

Value-Added Tax

Business tax on the value a business adds to goods or services it sells.

In this example Jane would be taxed on the increased value of lemonade that she sells for \$3 each.

In this example, Jane added value to just the cost of raw materials by making lemonade.



A small business Value Added Tax exemption of \$1 million would be introduced

Margins Tax

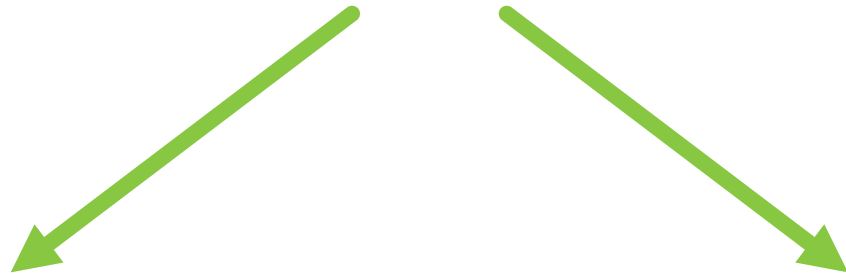
Subtract **certain expenses**
from the **total amount**
the business makes
And only pay tax on
the remaining amount
of income



*cost of
goods sold,
wages, 30%
of revenue*

Corporate Income Tax

A tax on how much a business
made after expenses

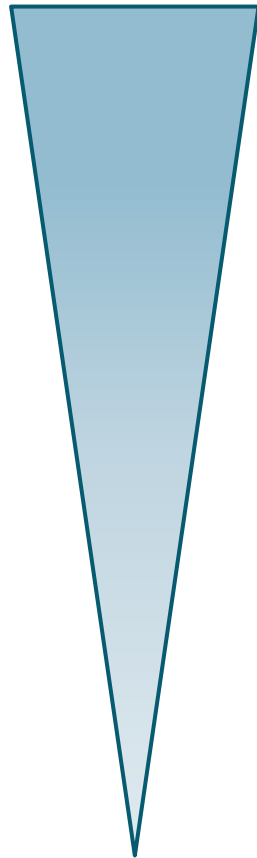


Progressive Tax: As business' income increases, their tax rate also increases.

Flat Tax: All business income would be taxed at the same flat rate.

Business Tax Comparisons

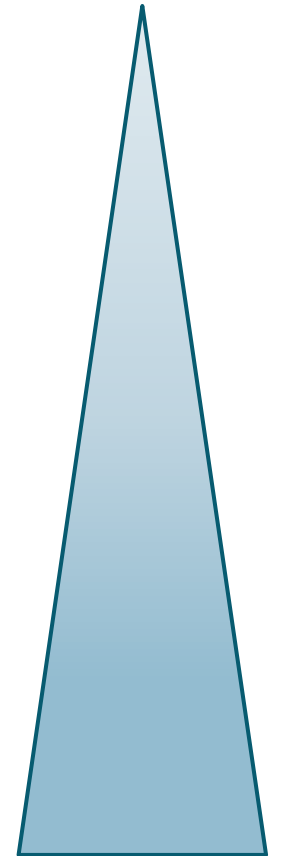
Broad Base



Narrow Base

Tax Base	Example	Description of Tax Base
Gross Receipts Tax	Ohio CAT, Washington B&O, Nevada	Gross receipts with few or no deductions.
Gross Margins Tax	Texas	Gross receipts minus cost of goods sold, total compensation, \$1 million, or 30% of total revenue.
Subtraction Method VAT	Proposed in California	Gross receipts minus purchases from other firms, resulting in incomplete border adjustments.
Corporate Income Net Receipts Tax	Traditional business entity tax imposed in 45 states; applies to C corporations and foreign corporations with a substantial nexus in Washington.	Gross receipts minus labor costs, depreciation, interest, purchases from other firms, and other operating expenses.

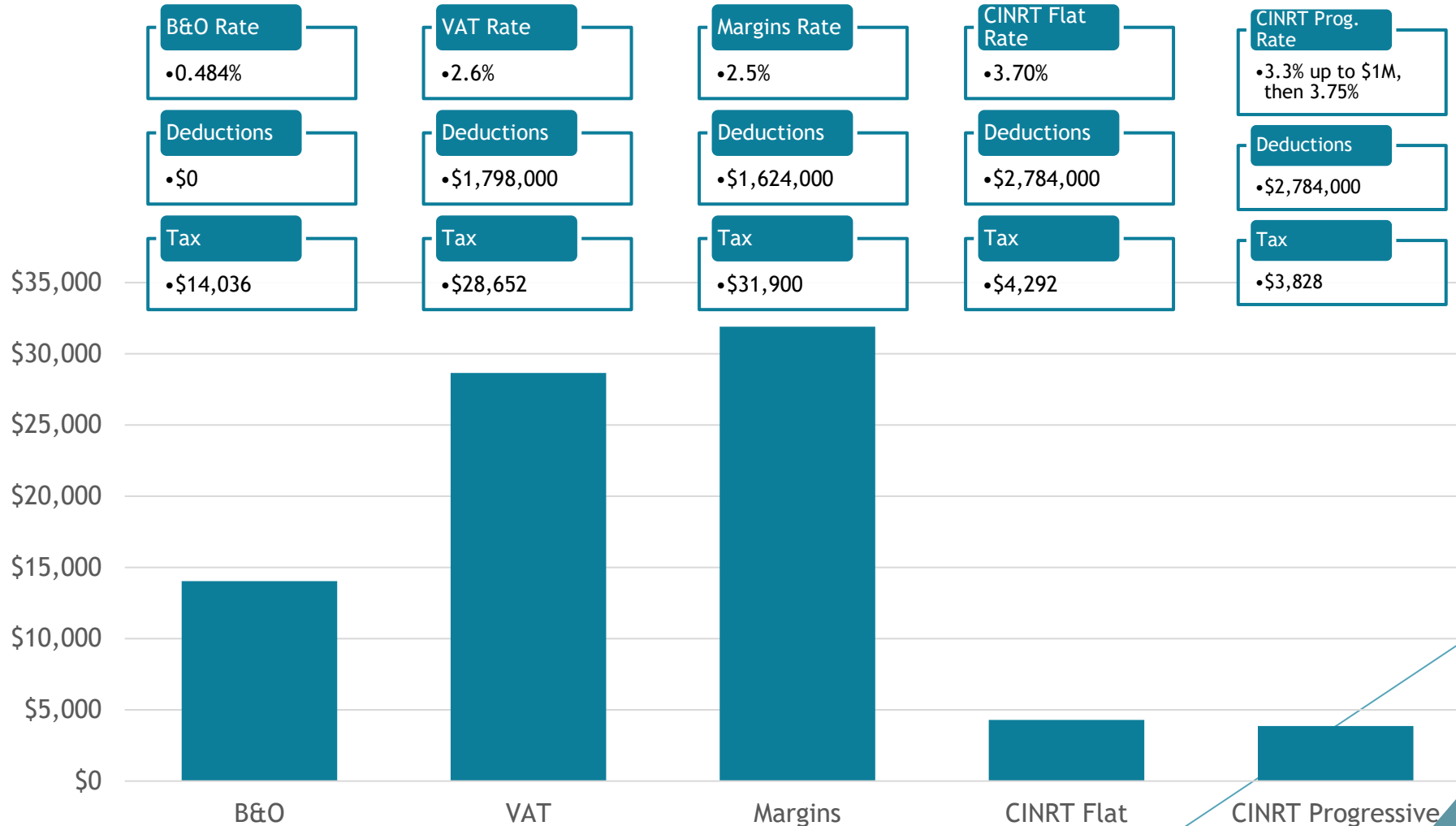
Low Rate



High Rate

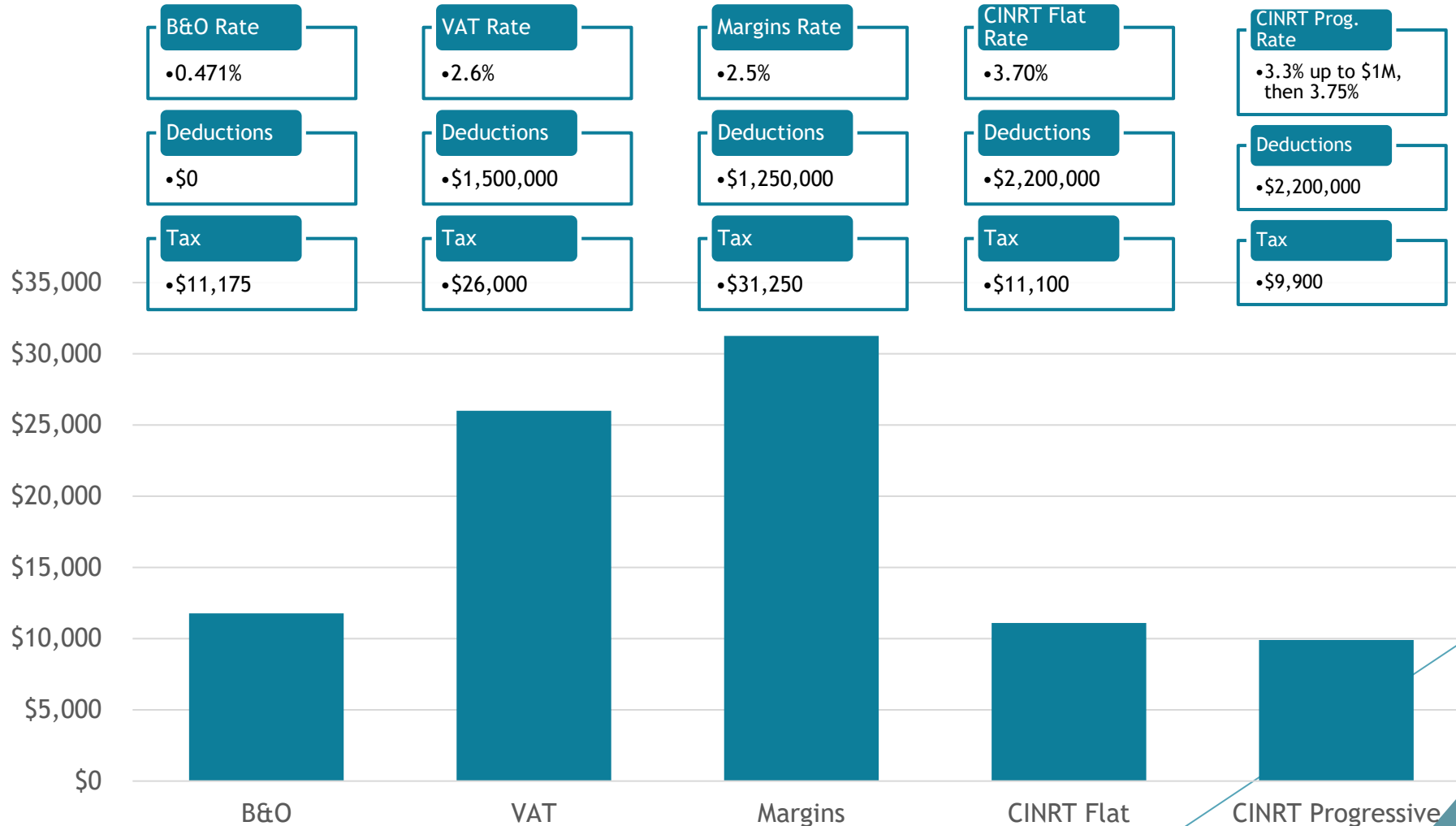
Business Tax Example

Small Manufacturer, \$2.9M in gross receipts



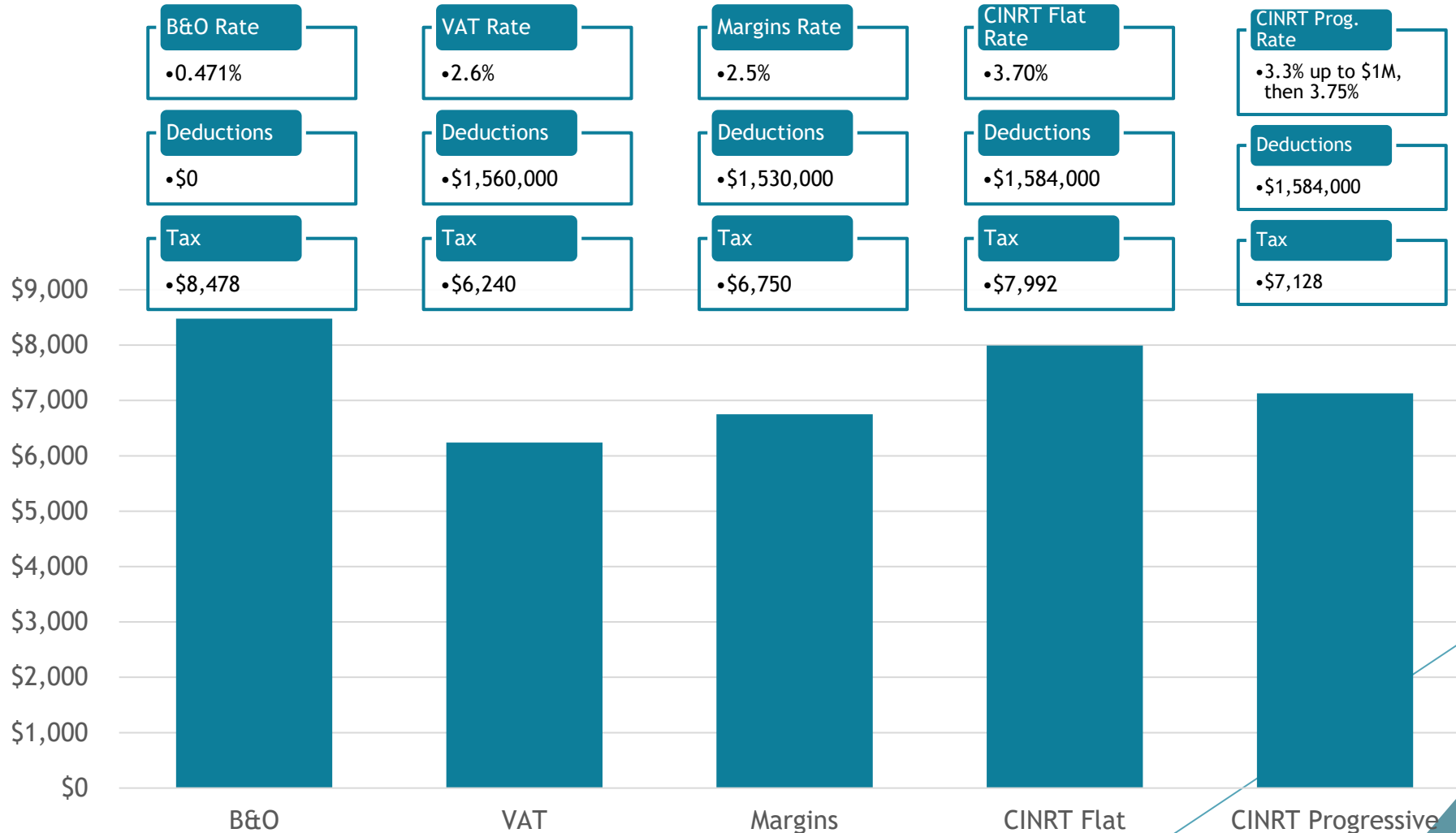
Business Tax Example

Restaurant, \$2.5M in gross receipts



Business Tax Example

Retailer, \$1.8M in gross receipts



Discussion: Which is fairer?

B&O tax



Margins
Tax

Value
Added Tax

Scenario:
Replacing the B&O Tax with a
Value Added Tax/Margins Tax + Employer
Compensation Tax to Address Fairness



Employer Compensation Tax

A tax businesses pay on total
employee compensation



- Applies to companies with total worldwide payroll of more than \$7 million a year.
- Tax only applies to employee compensation of over \$150,000 per employee.

Discussion: Which is fairer?



VAT/Margins Tax



VAT/Margins + Employer Compensation Tax

Scenario:
Introducing a Corporate Income Tax and
Personal Income Tax
to Address Stability



Current Tax Structure



B&O Tax



Sales Tax



Property Tax

Scenario



B&O Tax



Sales Tax



Property Tax



Corporate Income Tax



Personal Income Tax

Discussion: Which is fairer?

B&O tax



Corporate
Income
Tax

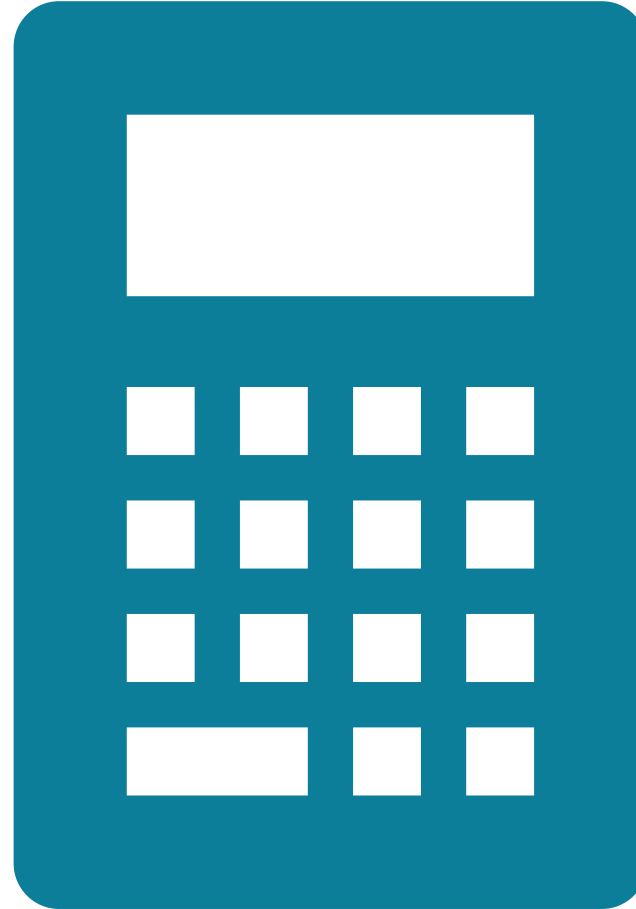
Discussion: Which is fairer?

Corporate
Income Tax
with a
progressive
tax rate



Corporate
Income
Tax with a
flat tax
rate

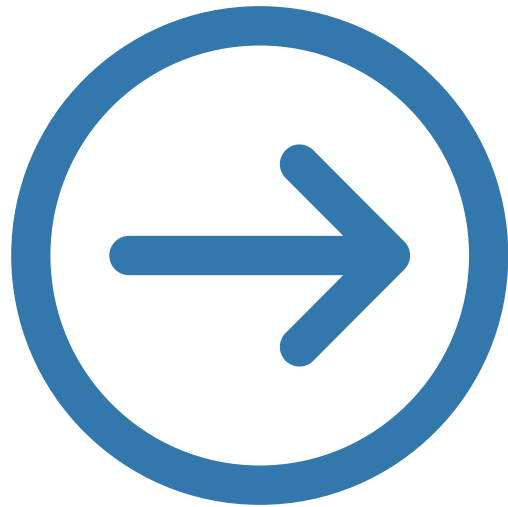
Tax Calculator Demo





Welcome Back

Return from
breakout groups



Wrap Up and Next Steps

Take the Survey

Click the link in the chat

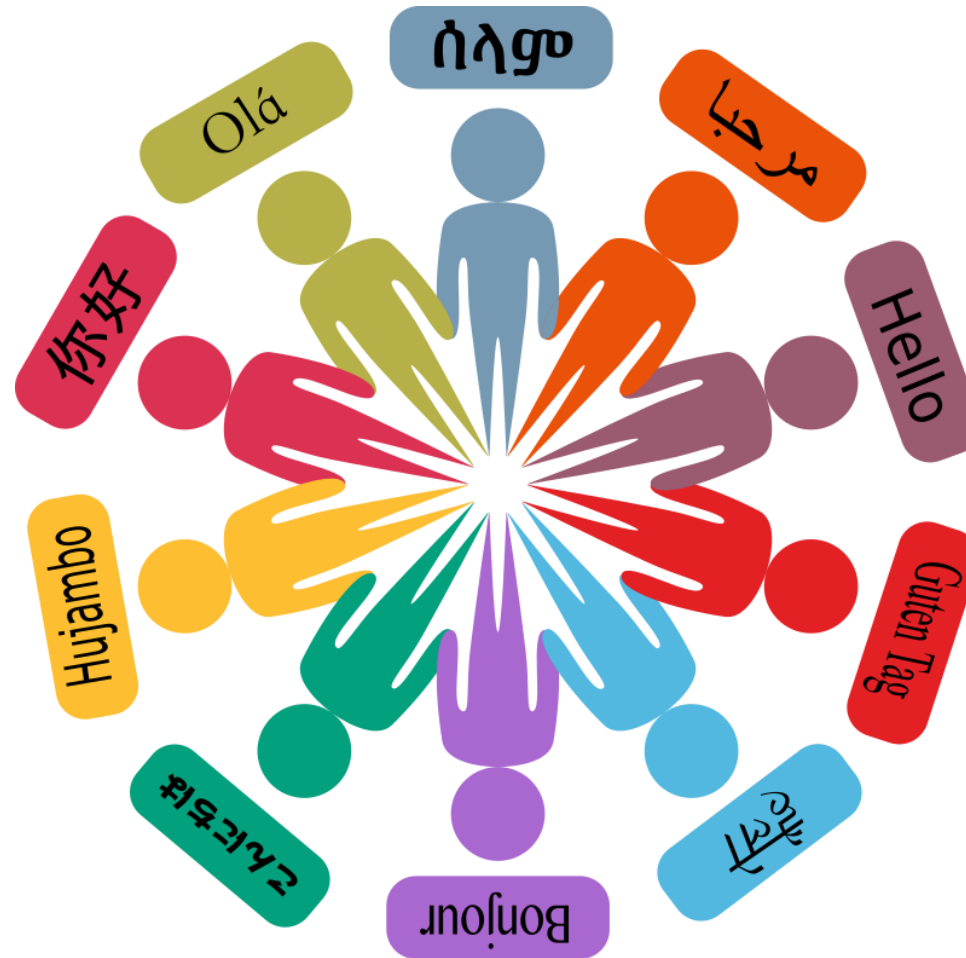
or

Go to TaxWorkGroup.org/survey and
click “Take the Survey”



Multilingual Sessions

- ▶ Spanish
- ▶ Mandarin
- ▶ Cantonese
- ▶ Russian
- ▶ Korean
- ▶ Vietnamese

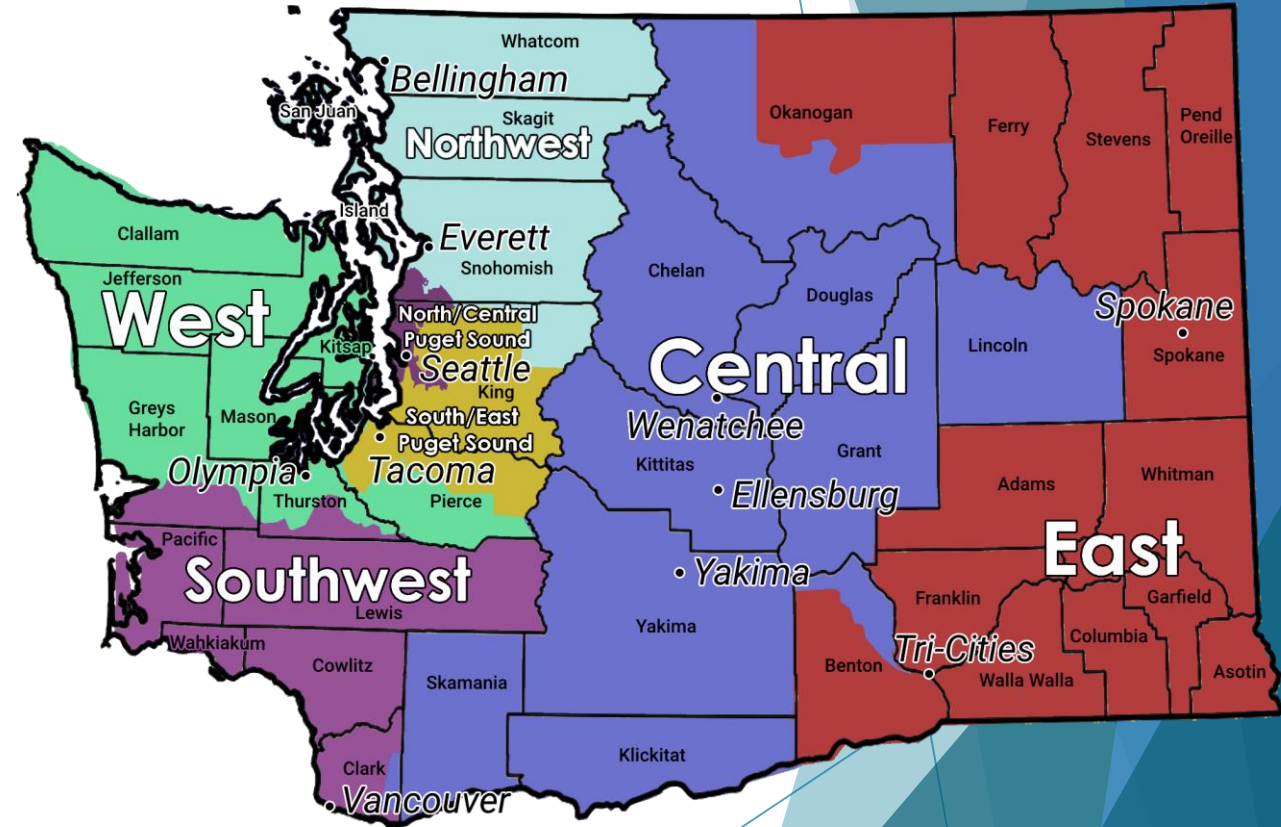


Check the Tax Structure Work Group website for dates in October!

<https://taxworkgroup.org/>

Spread the Word about Tax Town Halls

Region	Date
Eastern	September 22 (2:30 & 6:30 PM)
Central	September 29 (2:30 & 6:30 PM)
Northwest	October 6 (2:30 & 6:30 PM)
West	October 13 (2:30 & 6:30 PM)
Southwest	October 20 (2:30 & 6:30 PM)
Central/North Puget Sound	October 27 (2:30 & 6:30 PM)
South/East Puget Sound	November 3 (2:30 & 6:30 PM)



Satisfaction Poll

How satisfied were you with today's town hall?

- ▶ Very satisfied
- ▶ Somewhat satisfied
- ▶ Neutral
- ▶ Somewhat unsatisfied
- ▶ Very unsatisfied



For general feedback about the presentation
contact info@taxworkgroup.org

Thank you!



For general feedback about the presentation
contact info@taxworkgroup.org

Tax Structure Work Group

Multilingual Listening Session: Discussion Guide

Facilitator Reminders

- ▶ Make sure you have a mechanism to keep track of time and have the notetaker also support this task.
- ▶ Note who is not speaking much and bring them to the conversation.
- ▶ Use different tactics for the discussions like calling on people or letting discussion grow organically.
- ▶ Make sure you don't let any one individual take over the discussions by acknowledging this fact if it is happening.
- ▶ Prioritize questions as noted below and pay attention if some questions have been answered in advanced.
- ▶ Be respectful but keep the discussions moving.
- ▶ Don't forget to make sure at the end the team has all the information needed for the stipends.

Overview

The Tax Structure Work Group is a group of lawmakers who are focused on improving Washington State's taxes. To understand the diverse needs of Washington's taxpayers, the Work Group must conduct robust and inclusive community engagement throughout Washington State. The Work Group will use the results of this engagement to propose new laws about the state's tax structure. The Work Group wants to hear from immigrant communities, including people who speak the following languages: Spanish, Vietnamese, Cantonese, Mandarin, Korean, and Russian.

Purpose

- ▶ A listening session is a group discussion where we can learn more in-depth information about your ideas and opinions.
- ▶ My job as facilitator is to facilitate the discussion and make sure that everyone has an opportunity to speak.
- ▶ Today's listening session focuses on:
 - Background about Washington State's taxes
 - The Tax Structure Work Group's goals for improving Washington State's taxes
 - Getting your opinion on how Washington State's taxes should change
 - Hearing your thoughts on some ideas the Work Group has for improving Washington State's taxes
- ▶ This focus group has been convened by [CBO] and is supported by the Department of Revenue, Triangle Associates, and Cascadia.

Ground Rules

- ▶ There are no right or wrong answers; we care interested in your honest and candid opinions and ideas.
- ▶ Your participation in this project is voluntary. If you feel uncomfortable in any way during the discussion, you have the right to decline to answer any question or take a break.
- ▶ Your \$50 Visa gift card will be provided through email or mail after the listening session. Please be sure we have your contact and mailing information.
- ▶ The listening session will last approximately 60 minutes.
- ▶ Please raise your hand if you want to speak. You can use the "raise your hand" function in Zoom or just raise your physical hand if your camera is on.

Appendix B

- ▶ We are recording and taking screenshots of this discussion and writing down notes. The recording helps us make sure we accurately reflect all your opinions for a more complete report. We will not publish or share the recording except among project team members. We will not use it for any other purposes.

Agenda

Total time: 60 minutes

Time	Agenda Item
5 min	Introductions
50 min	Facilitator shows presentation video and guides discussion
5 min	Wrap up

Please keep in mind the time and how each participant is engaging with each question and discussion.

Introductions (5 min)

1. Have participants share their name and where they live
2. Facilitator to introduce themselves

Discussion: Reactions to Word “Tax” (5 min)

Intro: Show video presentation covering slides 1-6.

Discussion Questions:

1. What is one word or phrase that comes to mind when you hear the word “Tax”? There are no right or wrong answers.

Discussion: Principles about Taxes (10 min)

Intro: Show video presentation covering slides 7-13

Discussion Questions:

1. What principle is most important to you when you think about Washington State’s taxes?
 - a. Fairness
 - b. Stability
 - c. Transparency
 - d. Adequacy
2. Is there another principle or value that is important to you when it comes to taxes?

Discussion: Fairness (10 min)

Intro: Show video presentation covering slides 14-15

Discussion Questions:

1. What statement best matches your understanding of the word “Fairness” when it comes to taxes?

Appendix B

- a. Capacity: Those individual and business taxpayers with **higher incomes** or revenue should pay a **higher percentage** of their income or revenue in taxes, and those with **lower incomes** or revenue should pay a **lesser percentage**
 - b. Consistency: All individual and business taxpayers should **pay the same percent** of their income or revenue on taxes regardless of their income
2. Is there another way of defining “Fairness” in relation to taxes?

Discussion: Wealth Tax (10 min)

Intro: Show video presentation covering slides 16-23

Discussion Questions:

1. What do you think about the idea of a “wealth tax”?
2. Do you like property taxes the way they are now, or would you prefer lower property taxes and the addition of a wealth tax on people with over \$1 billion in stocks and bonds (and other financial property)?

Discussion: Income Tax (15 min)

Intro: Show video presentation covering slides 24-28

Discussion Questions:

1. What do you think about the idea of a “income tax” for Washington State?
2. Do you like sales and property taxes the way they are now, or would you prefer lower property and sales taxes and the addition of an income tax?

Closing (5 min)

Intro: Show video presentation covering slides 29-32

Closing Remarks:

1. Thank you so much for your time.
2. Be sure to provide your email address or mailing address to receive a \$50 Visa gift card in exchange for your time.
3. And please share the survey link with your family and friends. They don’t need to answer all the questions – just the ones they have opinions about. <https://taxworkgroup.org/survey>

**Tax Structure Work Group
Long Survey (English)**

I. Introduction

In 2019, the Washington State Legislature determined it was necessary to consider if the state's tax structure was unfair to taxpayers and if it fits our modern economy, since it has not been updated in over 80 years.

The [Tax Structure Work Group](#) (TSWG) is exploring changes to the way Washington state collects state taxes from both people and businesses. The goal is not to increase tax revenue to Washington state, but to create a new tax structure that considers these four principles:

- **Adequacy:** the tax system collects enough tax revenue to pay for established public services.
- **Stability:** the tax system collects a reliable amount of tax revenue resistant to short-term changes in the economy.
- **Transparency:** the tax system clarifies for taxpayers how much tax they need to pay, when to pay these taxes, and how to pay taxes.
- **Equity (Fairness):** the tax system considers both consistency of taxes among taxpayers and the capacity of individuals and business to pay taxes.

This survey asks a little about your point of view and then your preferences for different types of taxes.

II. First, tell us about your point of view:

1. Please **rank** the principles as defined in order of most to least important where **1 is the most important to you and 4 is the least important**:

____ **Adequacy**: the tax system collects enough tax revenue to pay for established public services.

____ **Stability**: the tax system collects a reliable amount of tax revenue resistant to short-term changes in the economy.

____ **Transparency**: the tax system clarifies for taxpayers how much tax they need to pay, when to pay these taxes, and how to pay taxes.

____ **Equity (Fairness)**: the tax system considers both consistency of taxes among taxpayers and the capacity of individuals and business to pay taxes.

2. **What would a fair tax system look like?** Which statement below best matches your sense of a fair tax for individuals and businesses?

- Those individual and business taxpayers with higher incomes or revenue should pay a higher percent of their income or revenue on taxes, and those with lower incomes or revenue should pay a lesser percentage through graduated or progressive rates, targeted tax credits or exemptions, etc. **(Prioritizes capacity)**
- All individual and business taxpayers should pay the same percent of their income or revenue on taxes regardless of their income through flat rates, no targeted tax credits or exemptions, etc. **(Prioritizes consistency)**
- I am not sure.

In a few words, why did you choose your answer above?

3. This question explores changes to taxes on property owners as a way of collecting enough taxes as the state grows.

Right now, the state's property tax collection can grow by a maximum of 1% annually, plus an additional amount based on several other factors including new construction.

This limit of a 1% rate increase does not consider inflation (money being worth less over time) or increased demand for government services driven by population increases.

The Tax Structure Work Group is interested in knowing your thoughts on changing the existing state property tax limit to a rate calculated on population and inflation changes from year to year.

What do you think is a better limit on how much property tax revenues can grow?

- The current system of 1% maximum growth per year.
- A revised limit based on growth of population and inflation.
- I am not sure

In a few words, why did you choose your answer above? (250 characters)

4. These questions explore the fairness of the system by looking at:

- the capacity of homeowners to pay their property tax
- the capacity of individuals with financial property in excess of \$1 billion to pay a wealth tax
- being consistent in the amount of property taxes collected from all homeowners
- being consistent in the application of taxes to property, including stocks, bonds, and other types of financial property.

The amount of property tax paid by some taxpayers could be lessened if the state expanded its definition of property tax to include financial property (over \$1 billion).

This new wealth tax would reduce the tax burden on most property taxpayers, especially residential payers, who would receive a tax exemption for the first \$250,000 of value on their primary residence.

4a. Do you believe that reducing property taxes paid by most homeowners (through a primary residence property tax exemption) and making up the difference by taxing financial wealth over \$1B creates a fairer system?

- Yes
- No
- I'm not sure
- In a few words, why did you choose your answer above? (250 characters)

4b. Does adding financial property (such as stocks and bonds over \$1 billion) as a type of property that is taxed in Washington create a more consistent tax system?

- Yes
- No
- I'm not sure
- In a few words, why did you choose your answer above? (250 characters)

5. These questions explore creating a fairer tax system by creating a more consistent approach for taxing businesses and consider the capacity of businesses to pay taxes.

The state’s main business tax is the Business & Occupation tax (B&O). The B&O tax is applied on a business’s gross revenue. It does not consider elements such as how much profit a business makes, how much it pays its employees, or how much it spends to create its products.

In contrast, a **Value Added Tax (VAT)** is where a business pays tax on the difference between the value of their sales and how much it costs them to create their products.

In this scenario, the TSWG is exploring replacing the B&O tax with a combination of:

- A Value Added Tax (VAT) (with a small business VAT exemption of up to \$1 million included), and/or
- An Employer Compensation Tax (applied to businesses with annual worldwide compensation to employees totaling more than \$7 million).

Consider this example:

A laptop maker buys electronic parts to make 100 laptops. The total cost of the parts for each laptop is \$400.

The laptop maker then sells the laptops she made for \$500 dollars each.

The laptop maker increased the value of the parts by making it into a laptop. The value of the laptop went from \$400 in parts to a \$500 laptop.

5a. Under the current tax system, the business owner must pay the Business and Occupation (B&O) tax on the \$500 for each laptop sold.

Replacing the Business and Occupation tax (B&O) with a Value Added Tax (VAT) would change the system so that it is only collecting tax on the increased value of the laptop. In this story, the increased value of each laptop is \$100.

Would taxing the \$100 in increased value be fairer than taxing the \$500 the laptop maker sold it for?

- Yes
- No
- I’m not sure

In a few words, why did you choose your answer above? (250 characters)

Employer Compensation Tax: The state could also pair the Value Added Tax (VAT) with an “Employer Compensation Tax”, a tax that a business would pay on total employee compensation (salary, commission, bonuses) greater than \$150,000 per year. This would only apply to businesses with annual worldwide compensation payments to employees totaling

Appendix C

more than \$7 million. The Employer Compensation Tax would reduce the Value Added Tax (VAT) for all business taxpayers.

5b. Does reducing the Value Added Tax (VAT) paid by all businesses by adding an employer compensation tax paid by a few businesses create a fairer system for all?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

5c. In a few words, why do you support or oppose this scenario of pairing the Value Added Tax with an Employer Compensation tax to replace the Business and Occupation (B&O) tax? Or why you are not sure?

6. These questions explore creating a fairer tax system by creating a consistent approach for taxing businesses and considers the capacity of businesses to pay the tax.

As described in question 5, the state's main business tax is the Business & Occupation (B&O) tax. The B&O tax is levied on a business's gross revenue. It does not consider important elements such as how much profit a business makes, how much it pays its employees, or how much it spends to create its products.

In contrast, a **Margins Tax** allows a business to deduct certain expenses (cost of goods sold, wages, 30% of revenue) from its gross revenue and only pays the tax on that remaining amount.

Consider this example:

ACME Home Goods had \$1.6 million in sales within the state. Of that \$1.6 million, the company's costs of goods sold came to \$900,000. Under the Margins Tax, they could deduct the \$900,000 and the company will be taxed on \$700,000 of its total sales for the year.

6a. Under the current tax system, ACME Home Goods must pay the Business and Occupation (B&O) tax on the \$1.6 million in sales. An alternative option, the Margins Tax, changes the system and only collects tax on the \$700,000.

Would taxing the \$700,000 in the Margins Tax be fairer than taxing the full \$1.6 million?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

The state could pair the Margins Tax with an employer compensation tax. In this scenario, a business would pay tax on compensation (salary, commission, bonuses) greater than \$150,000 per year that employees receive. This would apply only to businesses with annual

Appendix C

worldwide compensation to employees totaling in excess of \$7 million. The employer compensation tax would reduce the Margins Tax for all business taxpayers.

6b. Does reducing the Margins Tax paid by all businesses through an employer compensation tax paid by few businesses create a fairer system for all?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

6c. In a few words, why do you support or oppose this scenario of pairing the Margins Tax with an Employer Compensation tax to replace the Business and Occupation (B&O) tax? Or why you are not sure?

Both questions 7 and 8 look into similar types of taxes. However, Question 7 asks about introducing a Corporate and Personal Income taxes at a flat rate, and Question 8 is at a progressive rate.

7. This question explores creating a fairer tax system by creating a consistent approach for taxing individuals and businesses, and by considering their capacity to pay taxes (on a flat-rate basis) by creating a tax on income while shifting away from the sales and property taxes.

The state's current tax system does not tax the income of individuals or the net income of businesses. Instead, the state's primary taxes are the sales tax, property tax, and B&O tax. In this scenario the B&O tax would be eliminated, sales and property taxes would be reduced, and a new personal income tax and corporate income tax would be created.

7a. The state's main business tax is the Business and Occupation tax (B&O). The B&O tax is levied on a business's gross revenue (income before expenses). It does not consider important elements such as a business's expenses. In contrast, a corporate income tax would be based on how much income a business made after expenses. All business income would be taxed at the same flat rate.

Would taxing businesses based on their net income be fairer than taxing them on all revenue they took in?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

7b. The state's main individual taxes are the property tax and sales tax. A flat personal income tax would offset reductions to the state property tax and sales tax. All personal income would

Appendix C

be taxed at a flat rate (everyone pays the same percentage).

Would taxing individuals' income and reducing sales and property tax be fairer than solely taxing their spending on retail goods and services and the value of their home?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

7c. Overall, do you support this scenario's approach of **replacing the B&O tax, reducing the sales and property taxes, and adding a flat corporate income tax and a flat personal income tax?**

- I strongly support
- I support
- Neither support nor oppose
- I oppose
- I strongly oppose
- I'm not sure, I need more information.

7d. In a few words, why did you choose your answer above? (250 characters)

8. This question explores creating a fairer tax system by creating a consistent approach for taxing individuals and businesses, and by considering their capacity to pay taxes on a progressive (increasing percentage for increased income) basis.

The state's current tax system does not tax the income of individuals or the net income of businesses. Instead, the state's primary taxes are the property tax, sales tax, and B&O tax. In this scenario the B&O tax would be eliminated, sales and property taxes would be reduced, and a new personal income tax and corporate income tax would be created.

8a. The state's main business tax is the Business & Occupation tax (B&O). The B&O tax is levied on a business's gross revenue. It does not consider important elements such as a business's profitability. In contrast, a corporate income tax would be based on how much income a business made. Businesses would be taxed progressively, meaning as their income increased their tax rate would also increase.

Would taxing businesses progressively based on their net income be fairer taxing them on all revenue they took in?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

Appendix C

8b. The state's main individual taxes are the property tax and sales tax. A progressive personal income tax would offset reductions to the state property tax and sales tax. Individuals would be taxed progressively, meaning as their income increased their tax rate would also increase.

Would taxing individuals progressively based on their income, and reducing sales and property tax, be fairer than solely taxing their spending on retail goods and services or the value of their home?

- Yes
- No
- I'm not sure

In a few words, why did you choose your answer above? (250 characters)

8c. Overall, do you support this scenario's approach of **replacing the B&O tax, reducing the sales and property taxes, adding a progressive corporate income tax, and a progressive personal income tax?**

- I strongly support
- I support
- Neither support nor oppose
- I oppose
- I strongly oppose
- I'm not sure, I need more information.

In a few words, why did you choose your answer above? (250 characters)

9. Do you have any other input or comments for the TSWG on any of the scenarios in this survey?

III. Ranking Preferences

In this section we are interested in your preferences for different types of taxes:

1. Personal Taxes:

Please rank the following personal taxes in order of most preferred to least preferred.

- Sales Tax (*current tax*)
- Property Tax (*current tax*)
- Personal Wealth Tax (*proposed alternative tax*)
- Personal Income Tax (flat) (*proposed alternative tax*)
- Personal Income Tax (progressive) (*proposed alternative tax*)
- I'm not sure, I need more information

2. Business Taxes:

Please rank the following business taxes in order of most preferred to least preferred.

- Business & Occupation (B&O) Tax (*current tax*)
- Value Added Tax (VAT) (*proposed alternative tax*)
- Margins Tax (*proposed alternative tax*)
- Employer Compensation Tax (*proposed alternative tax*)
- Corporate Income Net Receipts Tax (flat) (*proposed alternative tax*)
- Corporate Income Net Receipts Tax (progressive) (*proposed alternative tax*)
- I'm not sure, I need more information

IV. Demographics (optional)

Thank you for taking the time to complete the questions above. The following questions ask about you and your household, and they are all optional. All your responses are confidential. These questions help make sure we have heard from a representative group of people in Washington.

1. Where and how did you take this survey?

- I took it online after reading/watching background information on the Tax Structure Work Group website
- I took it online without reading/watching any background information
- At a meeting hosted by an organization that I am part of
- At a Regional Tax Town Hall
- At a listening session in a language other than English

2. What county do you live in? [Drop down list]

3. How old are you?

- 19 or under
- 20-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65-74

Appendix C

- 75 or older
4. Between 2014-2019, what was your typical annual household income before taxes? Your best guess is fine.
- \$0 - \$16,999
 - \$17,000 - \$29,999
 - \$30,000 - \$43,999
 - \$44,000 - \$57,999
 - \$58,000 - \$73,999
 - \$74,000 - \$91,999
 - \$92,000 - \$114,999
 - \$115,000 - \$145,999
 - \$146,000 - \$207,999
 - \$208,000 - \$291,999
 - \$292,000 - \$678,999
 - \$679,000 & over
5. How many people live in your household?
- 1
 - 2
 - 3
 - 4
 - 5 or more
6. What languages do you speak at home? Select all that apply.
- English
 - Mandarin
 - Cantonese
 - Japanese
 - Korean
 - Russian
 - Spanish
 - Tagalog
 - Vietnamese
 - Other _____
7. How do you identify? Select all that apply.
- American Indian and/or Alaska Native
 - Asian and/or Asian American
 - Black and/or African American
 - Hispanic, Latino/a/x, and/or Spanish origin
 - Native Hawaiian and/or Pacific Islander
 - White
 - Race(s) or ethnicity not listed here _____
8. Do you have any disabilities? Select all that apply.
- Physical Mobility
 - Hearing

Appendix C

- Vision
- Cognitive
- Disability not listed here
- None of these

9. What is your interest in taxes on businesses?
- a. I own a business
 - b. I'm filling this out on behalf of a business owner
 - c. A member of my household owns a business
 - d. A friend or family member owns a business
 - e. I'm a customer/consumer
 - f. None of these

Business Taxes

Please tell us more about your business (if applicable). Your best guess answer for these questions will work.

1. What county is your business licensed in? Choose all that apply [Drop down list]

2. What sector is your business in?

- Health care and social services
- Real estate and rental and leasing
- Utilities
- Educational services
- Administrative support and waste management
- Finance and insurance
- Arts, entertainment, and recreation
- Professional, scientific, and technical services
- Information
- Transportation and warehousing
- Management of companies
- Retail trade
- Accommodation and food services
- Mining, oil
- Construction
- Agriculture, forestry, hunting, and fishing
- Wholesale trade
- Other services: _____

3. What type of business organization best describes your business?

- g. Sole proprietorship
- h. LLC
- i. Corporation
- j. Partnership

Appendix C

k. Other: _____

4. Between 2014-2019, approximately how many people did your business employ on average?

- Under 5
- Under 50
- Under 250
- Under 500
- Under 1000
- 1000+
- Not sure

5. Between 2014-2019, approximately what was your business's average annual income (gross revenue) in total (total amount of money coming into the business, without subtracting expenses)?

- Under \$25,000
- \$25,000 to under \$100,000
- \$100,000 to under \$250,000
- \$250,000 to under \$500,000
- \$500,000 to under \$1,000,000
- \$1,000,000 to under \$2,500,000
- \$2,500,000 to under \$5,000,000
- \$5,000,000 to under \$10,000,000
- \$10,000,000 to under \$50,000,000
- \$50,000,000 to under \$100,000,000
- \$100,000,000 to under \$250,000,000
- Not sure

6. Between 2014-2019, approximately what percent of your business's average annual income (gross revenue) was profit after paying expenses?

- A loss of 11%
- A loss of 10% to 9%
- A loss of 8% to 6%
- A loss of 5% to 3%
- A loss of 3% to 1%
- A profit of 0% to 2%
- A profit of 3% to 5%
- A profit of 6% to 8%
- A profit of 9% to 10%
- A profit of 11% to 13%
- A profit of 14% to 15%
- A profit of 16% to 20%
- A profit of 21% to 25%
- A profit of 26% to 29%
- A profit of 30% or more

Appendix C

- Not sure

V. Survey Feedback and Staying in Touch (optional)

1. Do you have any other feedback that you'd like the Tax Structure Work Group to consider?

2. Would you like to be added to the Tax Structure Work Group's email list to receive updates about upcoming public meetings, opportunities for engagement, or reports released?

No

Yes, here's my email address: _____

**Tax Structure Work Group
Short Survey (English)**

Introduction

This survey is designed to gather information from a broad range of Washington State individual taxpayers and business owners about different scenarios for changing Washington State's tax structure.

Background:

The Tax Structure Work Group's (TSWG) goal is to improve Washington's tax structure for individuals, families, and businesses. The Work Group is focused on changing the types of taxes to provide the same total amount of money to the state (revenue). In other words, it is not looking at options that will increase the amount of overall revenue, but rather, who and what we tax and how we collect revenue.

1. The TSWG is considering the principles listed below as they seek to improve Washington's tax structure. Please rank the following principles as defined in order of most to least important where 1 is the most important and 4 is the least important:

____ **Adequacy:** the tax system collects enough tax revenue to pay for established public services without changing taxes.

____ **Stability:** the tax system collects a reliable amount of tax revenue despite short-term changes in the economy.

____ **Transparency:** taxpayers know how much taxes they need to pay, when to pay these taxes, and how.

____ **Equity (Fairness):** a tax system that balances (a) similar types of tax-payers paying similar tax amounts; with (b) the amount of taxes paid based on an individual's or business' financial burden.

2. What is a fair tax system? Which statement best matches your sense of a fair tax for individuals and businesses?

____ **Capacity:** Those individual and business taxpayers with higher incomes or revenue should pay a higher percentage of their income or revenue in taxes, and those with lower incomes or revenue should pay a lesser percentage.

____ **Consistency:** All individual and business taxpayers should pay the same percent of their income or revenue on taxes regardless of their income.

____ **I am not sure.**

Appendix D

3. **Property Tax Definition (Current tax):** People and businesses pay taxes on land and buildings.
Wealth Tax Definition (Proposed alternative tax): An annual wealth tax of 1% would apply on financial property (such as stocks and bonds) of persons who live in Washington. Up to \$1 billion of an individual's financial property are exempt from the wealth tax.

Which is fairer?

___ Maintain current property tax

___ Add a wealth tax and decrease current property tax

___ I am not sure.

4. **Personal Income Tax, Flat Rate Definition (Proposed alternative tax):** This would be a state tax on personal income and would work similarly to the federal individual income tax. A "flat" tax means that everyone in Washington would pay the same rate of tax on their income. In other words, the percentage people would pay would not change depending on their income level.

Progressive Personal Income Tax, Progressive Rate Definition (Proposed alternative tax): This would be a state tax on personal income and would work similarly to the federal individual income tax. A "progressive" tax means that the tax rate would be lower for low-income households and higher for higher-income households.

Sales Tax Definition (Current tax): Taxes on most items and some services (with several exceptions, including groceries and prescription drugs) at the time of sale.

Property Tax Definition (Current tax): People and businesses pay taxes on land and buildings.

Which is fairer?

___ Maintain current sales and property tax

___ Decrease sales and property taxes and add a progressive or flat income tax

___ I am not sure.

Demographics (optional)

Thank you for taking the time to complete the questions above. The following questions ask about you and your household, and they are all optional. All your responses are confidential. These questions help make sure we have heard from a representative group of people in Washington.

1. What county do you live in? [Drop down list]
2. How old are you?
 - 19 or under
 - 20-24
 - 25-34
 - 35-44
 - 45-54
 - 55-64
 - 65-74
 - 75 or older
3. Between 2014-2019, what was your typical annual household income before taxes? Your best guess is fine.
 - \$0 - \$16,999
 - \$17,000 - \$29,999
 - \$30,000 - \$43,999
 - \$44,000 - \$57,999
 - \$58,000 - \$73,999
 - \$74,000 - \$91,999
 - \$92,000 - \$114,999
 - \$115,000 - \$145,999
 - \$146,000 - \$207,999
 - \$208,000 - \$291,999
 - \$292,000 - \$678,999
 - \$679,000 & over
4. How many people live in your household?
 - 1
 - 2
 - 3
 - 4
 - 5 or more
5. What languages do you speak at home? Select all that apply.
 - English
 - Mandarin
 - Cantonese
 - Japanese
 - Korean
 - Russian
 - Spanish

Appendix D

- Tagalog
 - Vietnamese
 - Other _____
6. How do you identify? Select all that apply.
- American Indian and/or Alaska Native
 - Asian and/or Asian American
 - Black and/or African American
 - Hispanic, Latino/a/x, and/or Spanish origin
 - Native Hawaiian and/or Pacific Islander
 - White
 - Race(s) or ethnicity not listed here _____
7. Do you have any disabilities? Select all that apply.
- Physical Mobility
 - Hearing
 - Vision
 - Cognitive
 - Disability not listed here
 - None of these

Multilingual Focus Group Summaries

The following sections summarize feedback gathered during the multilingual focus groups. Focus group facilitators and coordinators developed these summaries.

Vietnamese

November 10, 2021 from 3 – 4 p.m.

Number of Participants: 5

All participants were business owners whose primary language was Vietnamese and were recruited by Friends of Little Saigon to participate in the session. [Friends of Little Saigon](#) is a non-profit community-based organization whose mission is to preserve and enhance Little Saigon's cultural, economic, and historic vitality.

Key Insights:

- Participants shared that of the four principles (fairness, stability, adequacy, transparency), fairness and transparency were the most important.
- A participant shared that fairness should be changed to either equitable or equity.
- Equity was mentioned as a missing principle.
- Participants expressed support for equity in rates and percentages, and shared that being fair and transparent is being equitable.
- One participant shared that capacity sounds fair, but consistency does not.
- Participants shared concerns about the implications and impacts to individuals from a personal income tax.
- Participants expressed support for the wealthy contributing more and support for having the wealthiest contribute more than 1%.
- One participant shared that a wealth tax could be localized, different rates could be based on geographic locations since areas in Washington are priced differently.
- Participants shared concerns for imposing a new type of tax and timelines.
- Some participants expressed support for an income tax, but with a starting income level for who is taxed.
- One participant shared that everyone would be for a wealth tax.

Russian

November 15, 2021 from 5:30 to 6:30 p.m.

Number of Participants: 8

Participants whose primary language was Russian were recruited by the [Pacific Ukrainian Society](#), who serves both the Russian and Ukrainian communities in the greater Seattle area, to participate in the session.

Key Insights:

- Taxes affect how much you pay for goods and at stores.
- Information should be available to know what you are paying for with taxes.
- Deductions should be made equitably, such as those who earn less should pay less.
- Of the four principles shared with participants (fairness, stability, transparency, adequacy), transparency was noted as the most important so that people know what they are paying for and how. Adequacy, fairness, and stability were rated the same in importance.
- Taxes should also consider circumstances that lead to varying income levels, and

Appendix E

- deductions for new businesses to enable growth.
- Those who earn more can pay more, and those who earn less face greater impacts to quality of life with higher taxes or flat rates.
- All participants supported capacity over consistency for tax rates.
- Participants favored adding a wealth tax to some forms of income, such as stocks and bonds, versus property taxes.
- Participants expressed consideration for those who go into debt to buy property but still face high taxes.
- State income tax on the wealthy only could have implications to those whose employers pay in stocks.
- Participants expressed that there is no need for a change; taxes are high enough as is.
- Increases in property taxes could be passed down to the people who rent.
- It would be preferable to decrease all taxes.

Korean

November 18, 2021 from 1 – 2 p.m.

Number of Participants: 10

Participants whose primary language was Korean were recruited by the Korean Community Service Center to participate in the session. [Korean Community Service Center](#) is a community-based organization based in Snohomish County whose mission is to be a bridge for Korean immigrants and the wider Asian community to fully integrate into society and overcome economic, health, and linguistic barriers so that they become independent and thriving members of the community.

Key Insights:

- Of the four principles presented regarding taxes (fairness, stability, transparency, adequacy), participants ranked fairness as the most important, followed by transparency and adequacy.
- Nearly all participants shared that they preferred capacity over consistency when it came to fairness of who pays what amount of taxes.
- Participants shared that the state would need input from those who would be most affected by a wealth tax.
- Participants voiced concerns for the implications to large employers, such as a risk of them moving out of state, if a wealth tax was implemented.
- Four participants disapproved of an income tax. They shared that it would make it more difficult to recruit people and talent to Washington, and that the addition of new taxes leads to more taxes.
- Six of ten participants approved of the income tax, but only if enacted in the near future if other taxes, such as sales and property taxes, decrease.

Spanish

November 18, 2021 from 6 to 7 p.m.

Number of Participants: 10

Participants whose primary language was Spanish were recruited by Mujer Al Volante to participate in the session. [Mujer Al Volante](#) is a community-based organization with reach throughout the state whose mission is to empower low-income immigrant and refugee women

Appendix E

and mothers to achieve independence while promoting financial sustainability, community engagement, and leadership.

Key Insights:

- Taxes are viewed as a tariff for a value of service provided by the city and county.
- Of the four principles shared (adequacy, fairness, stability, transparency), participants ranked fairness and transparency highest, followed by stability.
- Equality and for rates to not be excessive were other important principles shared by participants.
- Most participants agreed capacity was a better match than consistency regarding fairness.
- Participants shared that capacity right-sizes to the scale of different companies and their incomes.
- Participants shared that both consistency and capacity are important; we need a middle point between the two.
- Bigger companies have greater impacts in communities, such as jobs, so it would be unfair to tax them at a higher rate based on profits.
- Two participants do not support a wealth tax, reasoning that it would be excessive given property taxes, and that it would only make sense for a business to pay.
- Three participants supported a wealth tax to people with over \$1 billion in stocks.
- Participants do not support an income tax given that existing sales tax is already very high.
- Three participants favored keeping sales and property taxes as they are now.
- Sales tax allows a person to control how much they pay into taxes by choosing how much money they spend on items, but with an income tax you do not have choice.
- One participant shared that they favored lowering property and sales taxes and adding an income tax.

Chinese (Cantonese)

December 16, 2021 from 5:30 – 6:30 p.m.

Number of Participants: 10

Participants whose primary language was Cantonese were recruited by the Ethnic Chamber of Commerce Coalition (ECCC) to participate in the session. The [Ethnic Chambers of Commerce Coalition](#) is comprised of Seattle-based member chamber of commerce groups, such as the Greater Chinese Chamber of Commerce of Seattle, GSBA, and Korean American Chamber of Commerce, to provide outreach, education, and technical assistance to small businesses.

Key Insights:

- Taxes are viewed as providing money to government to provide public benefits, but they are thought to be used inappropriately and inadequately.
- Of the four principles shared (adequacy, fairness, stability, transparency), participants ranked fairness and transparency highest, followed by adequacy.
- Participants want to know where tax money goes and how is being used. The transparency definition talks about when, how, and what taxes to pay but it should be about why a tax is needed, where the tax money was used, and how taxes are determined.
- Most participants agreed capacity was a better match than consistency regarding fairness.

Appendix E

- Some participants expressed concern that the property tax is already high and the 1% rate for the wealth tax is too low. The wealth tax rate should be increased.
- Participants were skeptical that the government will be able to evenly lower some taxes and increase others without increasing taxes and tax revenue overall.
- All participants were against the income tax.
- There is concern that new taxes will hurt businesses in Washington and highly skilled workers and corporations will move away.