

Washington Ballot Summary for General Election (November 5, 2024)
Initiative Measure No. 2109

Ballot Title (What the Voter Will See on Their Ballot)

Initiative Measure No. 2109 concerns taxes.

This measure would repeal an excise tax imposed on the sale or exchange of certain long-term capital assets by individuals who have annual capital gains of over \$250,000.

Should this measure be enacted into law? Yes [] No []

Effect of Your Vote on I-2109:

A “Yes” vote would repeal the 7% excise tax on capital gains greater than \$250,000 per year.

A “No” vote would keep the 7% excise tax on capital gains greater than \$250,000 per year.

I-2109 Ballot Measure Summary

After an in-depth study of revenue generating options, in 2021 the state legislature enacted a 7% excise tax on long-term gains of more than \$250,000 in a calendar year generated by the sale of certain capital assets. The threshold is indexed for inflation. Notable exemptions from the tax include the sale of real estate, most retirement accounts, and agricultural land. The tax was challenged, but the state Supreme Court ruled that the excise tax was constitutional.

Tax assessment began in January 2022. The funds are deposited into the Education Legacy Trust Account and the Common Schools Construction Account. These funds support common schools, expanded access to higher education, early learning, and childcare programs. During the first year almost \$900 million dollars were raised from fewer than 4,000 taxpayers, representing 0.2% of Washington households.

Immediate Effects of I-2109, if Passed

The 7% excise tax on capital gains greater than \$250,000 would be repealed, with the attendant loss of revenue for support for education and childcare.

Fiscal Effects, if Passed

The state Office of Financial Management’s fiscal analysis indicates that if approved by voters, Initiative 2109 will result in an estimated state revenue loss of \$2.2 billion over five state fiscal years. This would reduce funding dedicated for K–12 education, higher education, early learning, and childcare. Future reductions to funds dedicated for K–12 school construction are possible but not currently forecasted.

The estimated net savings for administrative expenses for two state agencies are \$10.1 million over five years. This savings of \$10.1 million would result from not administering the \$2.2 billion. No local government fiscal impacts are known.

Arguments for Initiative 2109 (a YES Vote):

- Initiative supporters believe that this tax is best characterized as an income tax. Washington residents have consistently opposed a state income tax.
- Supporters argue that the tax will drive the wealthy job creators from the state, worsening the economy for all.
- Supporters are concerned that the tax threshold could be changed in the future to affect a larger number of taxpayers.

Arguments Against Initiative 2109 (a NO Vote):

- Initiative opponents point out that evidence refutes the charge that high state taxes cause the wealthy to change residence and note that forty-two states tax capital gains.
- Supporters believe that a large amount of vital financial support for education and childcare will be lost if the excise tax is repealed.
- In Washington state, those with the lowest income pay the highest proportion of their income in state and local taxes. To the degree that these funds are currently made up from other revenue sources, the tax burden could fall on low- and middle-income residents. This excise tax addresses that situation to partially reduce that issue.