

## Limit B&O tax deduction for investment income to \$500,000 and impose tax on both non-financial firms and individuals

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**Description** This proposal would extend the state's B&O tax to unearned income over \$500,000 received by Washington residents and businesses (in addition to those engaged in banking, loan, and security activities who currently are not allowed to deduct such income).

- Unearned income means income derived from interest, dividends, bonds and net capital gains.
- Washington residents would pay tax on all their taxable unearned income, wherever derived.
- Nonresidents and fiduciaries would not be liable for the tax.
- Existing B&O tax gross income filing thresholds and small business tax credits would apply.

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**Current Law** Non-financial firms and individuals are not subject to B&O tax on income derived from investments.

- A business not engaged in banking, loan, or security activities may deduct its interest, dividends, and capital gain income when calculating B&O tax.

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**Revenue Impact**

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$145.2	\$145.2

*Notes:*

- *Estimates assume:*
    - A July 1, 2012, effective date.
    - Joint filing would be allowed with a threshold of \$500,000 per couple
  - *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*
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**Expenditure Impact**

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
TBD	TBD	TBD

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