

Washington State and Local Tax System Dysfunction & Reform

Dick Conway, Retired

Dick Conway & Associates
The Puget Sound Economic Forecaster
Washington Governor's Council of Economic Advisors
Washington State Tax Structure Study Committee

Characteristics of State and Local Tax Systems

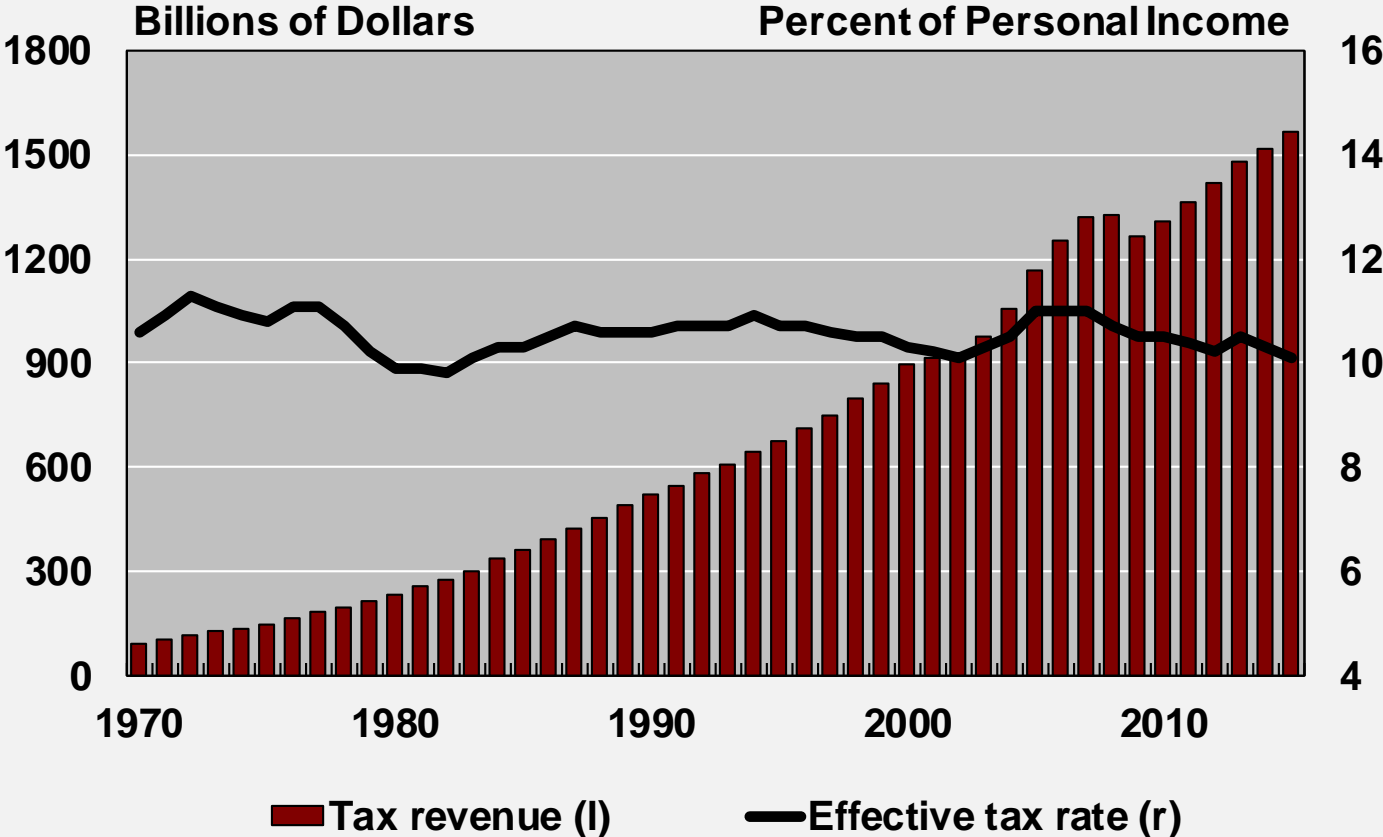
- **Fairness**
- **Adequacy**
- **Stability**
- **Transparency**
- **Economic vitality**

Regressive State and Local Tax Systems, 2018

Taxes as Percent of Family Income

Rank	State	Poorest 20 Percent	Middle 60 Percent	Top 1 Percent	Poorest- Top Ratio
	United States	11.4	9.9	7.4	1.5
1	Washington	17.8	10.9	3.0	5.9
2	Texas	13.0	9.7	3.1	4.2
3	Florida	12.7	8.1	2.3	5.5
48	Delaware	5.5	5.8	6.5	0.8
49	Vermont	8.7	9.4	10.4	0.8
50	California	10.5	8.9	12.4	0.8

U.S. State and Local Tax Revenue, FY 1970-FY 2015

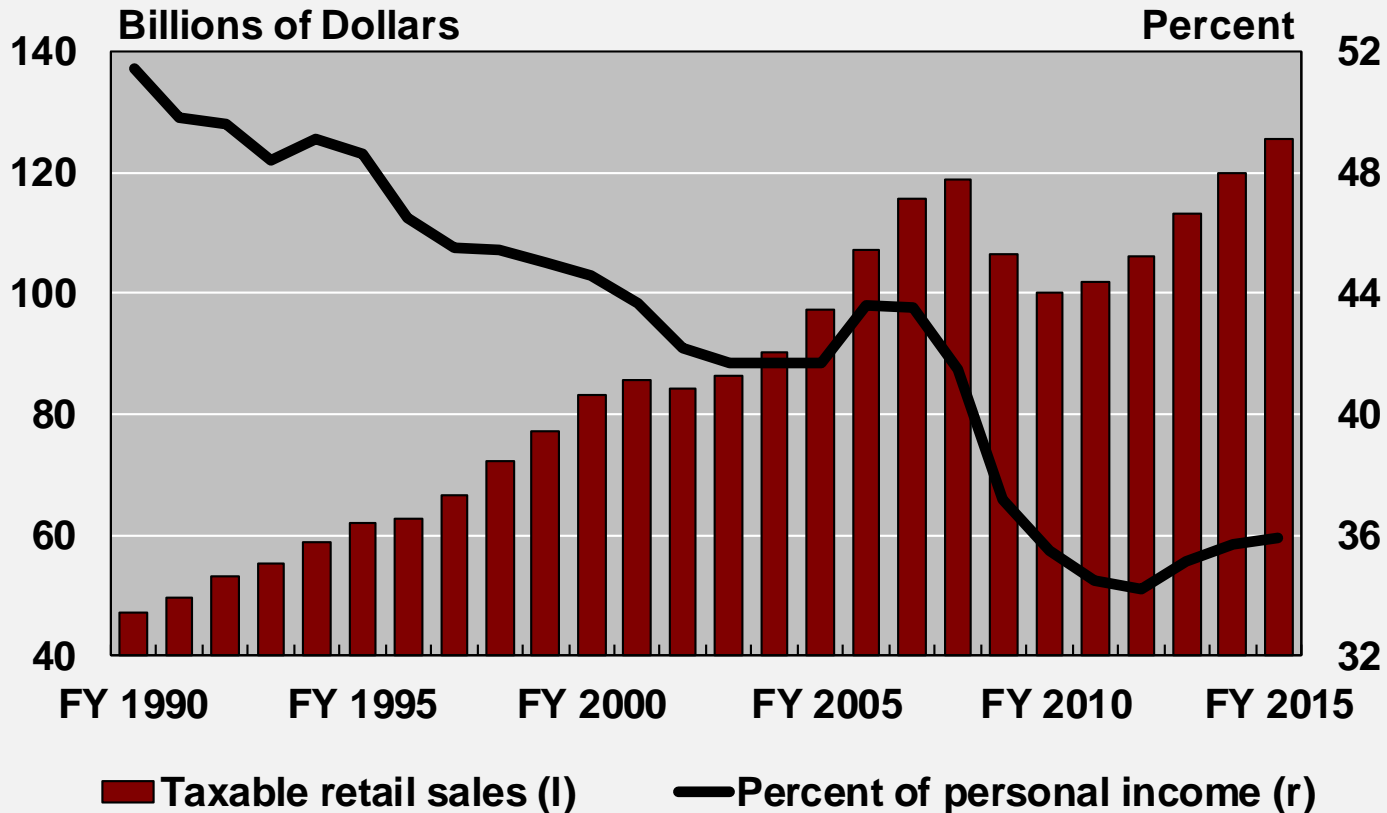


Washington and U.S. State and Local Effective Tax Rates, FY 1987-FY 2017

Percent of Personal Income

	Washington Effective Tax Rate	U.S. Effective Tax Rate	Washington Rank
FY 1987	10.6	10.6	19
FY 1992	10.8	10.7	16
FY 1995	11.4	10.8	11
FY 1997	10.9	10.6	13
FY 2002	9.8	10.0	28
FY 2007	10.3	11.0	31
FY 2009	9.5	10.5	37
FY 2012	9.3	10.2	36
FY 2015	9.1	10.2	38
FY 2017	9.4	10.2	30

Washington Taxable Retail Sales, FY 1990-FY 2015



Washington Forfeited State and Local Tax Revenue, FY 2008-FY 2017

Billions of Dollars

	Personal Income	Tax Revenue (actual)	Tax Revenue (10.4% rate)	Forfeited Tax Revenue
FY 2008	288.4	28.6	30.0	1.4
FY 2009	285.8	27.2	29.7	2.5
FY 2010	282.0	27.1	29.3	2.2
FY 2011	296.6	28.8	30.8	2.0
FY 2012	316.4	29.4	32.9	3.5
FY 2013	333.0	30.8	34.6	3.8
FY 2014	348.2	32.2	36.2	4.0
FY 2015	375.8	34.2	39.1	4.9
FY 2016	396.0	36.9	41.2	4.3
FY 2017	420.8	39.7	43.8	4.1
Total	---	314.9	347.6	32.7

Washington and U.S. Public School Spending, FY 1987-FY 2017

Dollars per \$1,000 of Personal Income

	Washington School Spending	U.S. School Spending	Washington Rank
FY 1987	41.14	42.92	36
FY 1992	44.07	43.68	32
FY 1995	42.79	42.90	33
FY 1997	39.36	41.32	34
FY 2002	36.30	42.10	46
FY 2007	34.98	43.02	48
FY 2009	34.46	41.29	46
FY 2012	33.22	39.30	46
FY 2015	32.37	37.97	44
FY 2017	32.57	37.46	42

Elementary and Secondary School Spending Per \$1,000 of Personal Income, FY 2007 Dollars

Rank	State	Spending
	United States	43.02
1	Alaska	62.71
2	Vermont	58.33
3	New Jersey	55.00
4	West Virginia	53.56
48	Washington	34.98
49	Colorado	34.35
50	Florida	33.83

Washington State and Local Tax Revenue, FY 2007-FY 2015

	FY 2007	FY 2009	FY 2015	FY 2007-15 Percent Change
State tax revenue (bils. \$)	27.5	27.2	34.2	24.4
Personal income (bils. \$)	267.2	285.8	375.8	40.6
Effective tax rate (%)	10.3	9.5	9.1	-11.7
State and local deflator (12=1.000)	0.858	0.924	1.058	23.3
Population (thous.)	6,416.2	6,614.8	7,109.3	10.8
Real per capita tax revenue (\$12)	4,995	4,450	4,547	-9.0
Personal income (bils. \$)	267.2	285.8	375.8	40.6
Consumption deflator (12=1.000)	0.902	0.940	1.029	14.1
Population (thous.)	6,416.2	6,614.8	7,109.3	10.8
Real per capita income (\$12)	46,169	45,964	51,371	11.3

State and Local Government Tax Systems Transparency Index, FY 2014

Total Transparency=1.000

Rank	State	Index
	United States	0.673
1	Oregon	0.767
2	Maryland	0.738
3	Massachusetts	0.730
4	Connecticut	0.723
47	North Dakota	0.554
48	Tennessee	0.554
49	Washington	0.550
50	Nevada	0.549

Best Business Tax Climate and Employment Change, 1970-2015

Business Climate Rank	State	1970-15 Employment Change (thous.)	Percent of U.S. Employment Change
	United States	68,841.0	100.0
1	Wyoming	172.9	0.3
2	South Dakota	233.0	0.3
3	Alaska	233.0	0.3
4	Florida	5,910.8	8.6
12	Washington	2,079.5	3.0
47	Minnesota	1,520.2	2.2
48	California	9,280.2	13.5
49	New York	1,834.9	2.7
50	New Jersey	1,261.2	1.8

Washington and Oregon Economic Growth, 1970-2018

	1970	2018	Annual Percent Change
Washington			
Employment (thous.)	1,282.1	3,613.0	2.2
Personal income (bils. \$)	15.0	467.4	7.4
Per capita income (\$)	4,400	62,026	5.7
Population (thous.)	3,417.4	7,535.6	1.7
Oregon			
Employment (thous.)	767.7	1,993.4	2.0
Personal income (bils. \$)	8.5	213.1	7.0
Per capita income (\$)	4,065	50,843	5.4
Population (thous.)	2,100.4	4,190.7	1.5

Characteristics of Current State and Local Tax System

	Rank Among States
● Fairness	50
● Adequacy	36
● Stability	42
● Transparency	49
● Economic vitality	No rank

Advantages of 10.4 Percent Personal Income Tax

- **Replaces all other taxes** No need for sales tax, property tax, business and occupation tax, or any other tax.
- **Fairness** No regressivity. Everyone works 5.5 weeks to pay state and local tax bill.
- **Adequacy** Ensures adequate tax revenue—10.4 percent of personal income—every year.
- **Stability** More stable tax revenue flow than a sales-based tax system.