

**REVENUE Impact of Revenue Alternatives**

**September 2024 Forecast**

\*\*\*Estimates should only be used to provide a range of magnitude. If a proposal is under consideration for the 2025 Legislative Session, please request an update to the November 2024 forecast.\*\*\*

**Note: Estimates provided do not reflect a policy position by the Department of Revenue and are solely to assist you in exploring revenue alternatives.**

Prepared by Research & Fiscal Analysis - December 2024

#	Description of Alternative	# of Impacted Taxpayers	Effective Date <sup>2</sup>	State General Fund REVENUE Impact <sup>1</sup> (\$ millions)									
				FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium	FY 2030	FY 2031	2029-31 Biennium	
<b>RETAIL SALES/USE TAX - Rate Increase</b>													
1	Increase state rate from 6.5% to 6.6%	240,000	1/1/2026	\$94.5	\$253.7	\$348.2	\$263.7	\$273.6	\$537.3	\$283.6	\$294.5	\$578.1	
2	Increase state rate from 6.5% to 7.0%	240,000	1/1/2026	\$472.6	\$1,264.6	\$1,737.1	\$1,312.3	\$1,363.1	\$2,675.4	\$1,413.8	\$1,465.5	\$2,879.3	
<b>RETAIL SALES/USE TAX - Tax Base Expansion (except services)</b>													
3	Repeal sales tax exemption for food products baked and sold onsite (82.08.0293(2)(c)(iii)(C)); 82.12.0293(2)(c)(iii)(C))	1,000	7/1/2026	\$0.0	\$57.2	\$57.2	\$64.2	\$65.8	\$129.9	\$67.3	\$68.8	\$136.1	
4	Repeal sales and use tax exemptions for OTC drugs purchased with a prescription	2,000	1/1/2026	\$22.9	\$57.0	\$79.9	\$59.1	\$61.2	\$120.3	\$63.4	\$65.6	\$129.0	
5	Extend sales tax to admissions charges	16,500	7/1/2026	\$0.0	\$59.2	\$59.2	\$66.9	\$69.3	\$136.2	\$71.7	\$74.3	\$146.0	
6	Repeal exemption for audio/video programming [RCW 82.08.0208(5)]	40	7/1/2026	\$0.0	\$61.3	\$61.3	\$61.6	\$56.7	\$118.3	\$52.3	\$48.2	\$100.5	
7	Narrow the bad debts deductions for retail sales tax and B&O tax	46,000	7/1/2026	\$0.0	\$31.6	\$31.6	\$35.7	\$36.9	\$72.6	\$38.2	\$39.5	\$77.7	
<b>RETAIL SALES/USE TAX - Extend retail sales tax to services</b>													
8	Extend retail sales tax to custom software	3,500	1/1/2026	\$49.1	\$129.6	\$178.7	\$134.9	\$140.6	\$275.5	\$146.5	\$152.6	\$299.1	
9	Extend retail sales tax to temporary staffing services	1,600	7/1/2026	\$0.0	\$274.5	\$274.5	\$319.3	\$332.2	\$651.5	\$345.8	\$359.8	\$705.6	
10	Extend retail sales tax to janitorial services	4,300	7/1/2026	\$0.0	\$72.6	\$72.6	\$82.5	\$86.0	\$168.5	\$89.6	\$93.3	\$182.9	
<b>BUSINESS &amp; OCCUPATION TAX - Rate Increases</b>													
<b>Increase B&amp;O tax rate:</b>													
11	10% surtax on all B&O tax rates	400,000	1/1/2027	\$0.0	\$291.9	\$291.9	\$728.1	\$756.6	\$1,484.7	\$786.0	\$816.7	\$1,602.7	
12	Increase retailing B&O tax from 0.471% to 0.484% - RCW 82.04.250(1)	230,000	1/1/2026	\$17.2	\$42.8	\$60.0	\$44.3	\$45.8	\$90.1	\$47.4	\$49.1	\$96.5	
13	Increase manufacturing rate for petroleum fuels to 1%	10	7/1/2026	\$0.0	\$42.5	\$42.5	\$47.2	\$48.2	\$95.4	\$49.2	\$50.0	\$99.2	
<b>Preferential B&amp;O Tax Rates:</b>													
14	Eliminate all preferential B&O tax rates, excluding radioactive waste clean-up	9,600	1/1/2026	\$106.5	\$266.8	\$373.3	\$277.2	\$287.8	\$565.0	\$298.8	\$310.7	\$609.5	
15	Reduce benefit of preferential B&O tax rates by 25%, excluding radioactive waste clean-up	9,600	1/1/2026	\$26.6	\$66.7	\$93.3	\$69.3	\$71.9	\$141.2	\$74.7	\$77.7	\$152.4	
16	Repeal preferential B&O tax rate for meat processors	220	1/1/2026	\$12.6	\$31.6	\$44.2	\$33.0	\$34.3	\$67.3	\$35.7	\$37.1	\$72.8	
17	Repeal preferential rate for prescription drug wholesalers	24	1/1/2026	\$17.7	\$44.3	\$62.0	\$46.2	\$48.1	\$94.3	\$50.0	\$52.0	\$102.0	
<b>BUSINESS &amp; OCCUPATION TAX - Tax Base Expansion</b>													
18	Repeal B&O tax deduction for first mortgage interest	525	7/1/2026	\$0.0	\$55.6	\$55.6	\$63.1	\$65.7	\$128.8	\$68.5	\$71.4	\$139.9	
19	Impose service B&O tax on gross income from long-term real property rentals	25,000	7/1/2026	\$0.0	\$49.6	\$49.6	\$67.7	\$82.4	\$150.1	\$98.2	\$101.8	\$200.0	
20	Narrow the first mortgage interest deduction to banks with less than \$300 million in assets	500	7/1/2026	\$0.0	\$39.6	\$39.6	\$45.0	\$46.9	\$91.9	\$48.8	\$50.9	\$99.7	
21	Align financial institutions' surcharge definitions to close loophole	20	1/1/2026	\$1.2	\$3.6	\$4.8	\$4.3	\$5.2	\$9.5	\$5.4	\$5.6	\$11.0	

**REVENUE Impact of Revenue Alternatives**

**September 2024 Forecast**

\*\*\*Estimates should only be used to provide a range of magnitude. If a proposal is under consideration for the 2025 Legislative Session, please request an update to the November 2024 forecast.\*\*\*

**Note: Estimates provided do not reflect a policy position by the Department of Revenue and are solely to assist you in exploring revenue alternatives.**

Prepared by Research & Fiscal Analysis - December 2024

#	Description of Alternative	# of Impacted Taxpayers	Effective Date <sup>2</sup>	State General Fund REVENUE Impact <sup>1</sup> (\$ millions)								
				FY 2026	FY 2027	2025-27 Biennium	FY 2028	FY 2029	2027-29 Biennium	FY 2030	FY 2031	2029-31 Biennium
<b>OTHER TAXES</b>												
<b>Estate Tax:</b>												
22	Increase graduated estate tax rate <sup>3</sup>	2,300	1/1/2026	\$0.0	\$187.9	\$187.9	\$262.1	\$277.2	\$539.3	\$292.6	\$309.1	\$601.7
<b>Public Utility Tax:</b>												
23	10% surtax on all PU tax rates	11,000	1/1/2026	\$25.5	\$65.5	\$90.9	\$65.4	\$67.7	\$133.1	\$70.0	\$72.4	\$142.5
24	PU tax on motor/urban transportation and log hauling - increase to 3.852%	10,000	7/1/2026	\$0.0	\$96.1	\$96.1	\$108.2	\$111.8	\$220.0	\$115.6	\$119.5	\$235.1
25	Repeal PU tax deduction for in-state portion of interstate transportation	5,000	1/1/2026	\$16.8	\$41.5	\$58.3	\$42.8	\$44.2	\$87.0	\$45.7	\$47.2	\$92.9
<b>NEW TAXES</b>												
<b>Luxury Tax with Deductions:</b>												
26	10% luxury tax on non-commercial motor vehicles - \$50,000 deduction	1,800	1/1/2026	\$21.0	\$52.0	\$73.0	\$52.0	\$52.0	\$104.0	\$51.0	\$51.0	\$102.0
27	10% luxury tax on non-commercial vessels and commercial aircraft - \$300,000 deduction	500	1/1/2026	\$9.4	\$23.1	\$32.5	\$23.8	\$24.4	\$48.2	\$25.1	\$25.8	\$50.9

**REV ALTS NOTES**

<sup>1</sup> Revenues represent state general fund impacts only, unless otherwise noted.

<sup>2</sup> The effective dates are based on the time to implement the proposal and assume passage by April 27, 2025. This date is tentative and the impact is dependent on the actual bill language.

<sup>3</sup> Estate tax is deposited in the Education Legacy Trust Account.