



STATE OF WASHINGTON  
**DEPARTMENT OF REVENUE**  
OFFICE OF THE DIRECTOR

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December 20, 2023

**TO:** The Honorable June Robinson, Chair, Senate Ways & Means Committee  
The Honorable Lynda Wilson, Ranking Member, Senate Ways & Means Committee  
The Honorable April Berg, Chair, House Finance Committee  
The Honorable Ed Orcutt, Ranking Member, House Finance Committee

**FROM:** Drew Shirk, Director **DIS**  
Washington State Department of Revenue

**SUBJECT:** Wealth Tax Study Status Report

The Department of Revenue (department) is submitting this status report as required by [Section 141\(9\), Chapter 475, Laws of 2023](#) (the 2023-2025 fiscal biennium operating budget).

This budget proviso requires the department to:

- Research and analyze wealth taxes imposed in other countries and wealth tax legislation recently proposed by other states and the United States.
- Examine how existing and proposed wealth taxes are structured, compliance and administrative challenges of wealth taxes, best practices in the design and administration of wealth taxes, and potential data sources to aid the department in estimating the revenue impacts of future wealth tax proposals for this state or assisting the department in the administration of wealth tax.
- Consult with relevant subject matter experts from within and outside of the United States.
- Provide a status report to the appropriate fiscal committees of the Legislature by January 1, 2024, and a final report by November 1, 2024.

If you have any questions or need the report in an alternate format, please contact Steve Ewing, Legislative and External Affairs Liaison, Executive Division, at [SteveE2@dor.wa.gov](mailto:SteveE2@dor.wa.gov) or (360) 534-1545.

Wealth Tax Study Status Report

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Bernard Dean, Chief Clerk, Washington State House of Representatives  
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Members, House Finance Committee  
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# Wealth Tax Study Status Report

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## Introduction

This status report is required by [Section 141\(9\), Chapter 475, Laws of 2023](#) (the 2023-2025 fiscal biennium operating budget). This budget proviso requires the department to:

- Research and analyze wealth taxes imposed in other countries and wealth tax legislation recently proposed by other states and the United States.
- Examine how existing and proposed wealth taxes are structured, compliance and administrative challenges of wealth taxes, best practices in the design and administration of wealth taxes, and potential data sources to aid the department in estimating the revenue impacts of future wealth tax proposals for this state or assisting the department in the administration of wealth tax.
- Consult with relevant subject matter experts from within and outside of the United States.
- Provide a status report to the appropriate fiscal committees of the Legislature by January 1, 2024, and a final report by November 1, 2024.

## Summary of Deliverables

- Status report due January 1, 2024
- Final report due November 1, 2024

## Timeline of Tasks Completed to Date

	<b>07/01/2023</b>	<b>Start Research</b>
<b>07/01/2023</b>	- <b>07/31/2023</b>	<b>Create Internal Working Group</b>
<b>07/01/2023</b>	- <b>07/31/2023</b>	<b>Establish Project Scope, Format &amp; Timelines for Deliverables</b>
<b>07/01/2023</b>	- <b>06/30/2024</b>	<b>Conduct Research</b>
<b>08/01/2023</b>	- <b>10/15/2023</b>	<b>Contact Other Jurisdictions &amp; Subject Matter Experts</b>
<b>08/01/2023</b>	- <b>10/15/2023</b>	<b>Draft Status Report</b>
<b>10/16/2023</b>	- <b>12/31/2023</b>	<b>Review &amp; Finalize Status Report</b>
	<b>01/01/2024</b>	<b>Submit Status Report</b>

## Timeline of Remaining Deliverables

<b>01/01/2024</b>	- <b>07/31/2024</b>	<b>Draft Final Report &amp; Finalize Fiscal Impact Model</b>
<b>08/01/2024</b>	- <b>10/31/2024</b>	<b>Review &amp; Finalize Final Report</b>
	<b>11/1/2024</b>	<b>Submit Final Report</b>

## Summary of Initial Findings

### Overview and background

A wealth tax is generally considered to be a recurrent tax on the value of an individual's ownership of assets. They are considered recurrent because they are assessed on a regular interval, usually annually. They are generally assessed on the value of assets owned by an individual regardless of whether the individual engages in a transaction related to those assets during the tax reporting period. Depending on

the jurisdiction, “wealth” may be defined as the value of any combination of personal assets, including cash, bank deposits, real estate, assets in insurance and pension plans, ownership of unincorporated businesses, financial securities, and personal trusts. Some wealth taxes allow an individual to offset the value of their assets by the individual’s liabilities, such as mortgages and other debts. This type of wealth tax is commonly referred to as net wealth tax.

Wealth taxes exist in a handful of countries, some of which are Organisation for Economic Co-operation and Development (OECD) members. The OECD is an intergovernmental organization where the governments of 38 member countries collaborate to develop policy standards to promote sustainable economic growth. The OECD provides a setting where governments can compare experiences, seek answers to common challenges, identify good practices, and develop high standards for economic policy. Currently 4 of the 38 OECD member countries levy a wealth tax. These countries are Colombia, Norway, Spain, and Switzerland. In the 1990s, the number of OECD member countries with a wealth tax was at its peak with 12. Non-OECD countries that currently levy a wealth tax include Belgium, Argentina, the Netherlands, and Italy.

Currently, no wealth tax exists in any state or at the federal level in the United States. Lawmakers in California, Connecticut, Hawaii, Illinois, Maryland, Minnesota, New York, and Washington introduced legislation in 2023 to increase taxes on wealthy individuals, ranging from traditional wealth tax proposals to proposals that strengthen estate taxes or capital gains taxes, but none of these proposals have led to taxes being enacted as of the writing of this report. Additionally, wealth taxes have been proposed at the federal level in recent years but, as with recent state proposals, none of these proposals have been signed into law as of the writing of this report.

As required by the budget proviso, the department has initiated contact with other states that have proposed wealth taxes, other countries that currently levy a wealth tax, and subject matter experts who research wealth taxes. The department circulated a short questionnaire (Appendix A) to other jurisdictions to gather information on how other jurisdictions address the most cited administrative and enforcement challenges of a wealth tax. As of November 1, 2023, we have received responses from four of the seven states and five of the 33 foreign tax authorities we contacted. Additionally, the department has established contact with Professors Brian Galle from Georgetown University, David Gamage from Indiana University, Emmanuel Saez from the University of California, Berkeley, and Darien Shanske from the University of California, Davis.

## Comparative Analysis: Overview

**Table 1: Proposed and Enacted Wealth Tax Comparison by State/Country**

State/Country	What is Taxable Wealth?	Valuation Methodology	Rate	Exemption Threshold (USD)	Filing Method
Argentina (enacted)	All assets (except stocks – companies pay taxes on behalf of shareholders)	Fair Market Value	0.5-1.75%	\$17,000	Self-reported annually
Belgium (enacted)	Securities accounts	Average Value	0.15%	\$1.06 million	Financial intermediaries

					declare/pay annually
California (proposed)	All assets (except TPP* up to \$1 million in value and real estate not held in a trust/business entity)	Fair Market Value, Businesses at book value plus 7.5 times GAAP annual profits	1-1.5%	\$50 million	Self-reported annually
Colombia (enacted)	Financial intangible assets, real property, vehicles	Fair Market Value, net (with real property preferences)	0.5-1.5%	\$600,000	Self-reported annually
Hawaii (proposed)	All assets	Fair Market Value, net	1%	\$20 million	Self-reported annually
Illinois (proposed)	Financial intangible assets, real property, and TPP*	Fair Market Value, net	4.95%	\$1 billion	Self-reported annually
Italy (enacted)	Italian and foreign real estate, Italian and foreign financial intangible assets	Fair Market Value, Alternative Formulas	0.2-0.76%	Tax due less than \$200	Self-reported annually
New York (proposed)	All assets	Fair Market Value, net	4-10.9%	\$1 billion	Self-reported annually
Norway (enacted)	Financial intangible assets (except pensions), real property, TPP*	Fair Market Value, net	1-1.1%	\$155,000	Self-reported annually
Spain (enacted)	Financial intangible assets (except pensions), real property, and TPP*	Fair Market Value, Book Value, Alternative Formulas	0.2-3.5%	\$739,000 (varies by autonomous community)	Self-reported annually
Switzerland (enacted)	Financial intangible assets (except pensions and certain business assets), real property, and TPP*	Net Fair Market Value, Book Value, Alternative Formulas	0.13-1.1%	\$75,000 (varies by canton)	Self-reported annually
Netherlands (enacted)	Savings, investments, real	Fair Market Value, net	32%	\$60,000	Self-reported annually

	property, and debts	\$5,000 debt allowance			
Washington (proposed)	Financial intangible assets	Fair Market Value	1%	\$250 million	Self-reported annually

\*TPP = tangible personal property

### Comparative Analysis: State by State Detail

Our research into wealth tax proposals from other states has not been limited to traditional wealth tax proposals. The department has also contacted states and analyzed tax proposals that intend to increase taxes on wealthy individuals through different approaches, such as capital gains taxes or high earner income tax surcharges. A thorough investigation of these alternatives is outside the scope of the budget proviso requiring this report, but we felt it necessary to look into these alternatives to better understand the administrative and compliance considerations faced by states attempting to impose taxes on similarly situated individuals.

#### California: Tax on Extreme Wealth

During the 2023 legislative session, California lawmakers introduced [Assembly Bill 259](#) (AB 259), which would have imposed an annual property tax of 1% on extreme wealth, defined as wealth more than \$50 million per household, with this rate rising to 1.5% on wealth above \$1 billion. Lawmakers have introduced a wealth tax proposal in each of the last four years, but none have passed. The tax would be imposed on worldwide assets, which means anything of value except real estate and directly held personal property located out of state. Publicly traded assets are valued as of the last day of each tax year.

The legislation allowed for several valuation methodologies for privately held businesses, including:

- The default valuation methodology where the business value is presumed to be the Generally Accepted Accounting Principles (GAAP) book value of its assets, plus 7.5 times its GAAP annual profits for the most recent business year, similar to the valuation system used for the Swiss wealth tax.
- For businesses of less than \$50 million in value under this base method, taxpayers may, and for all other businesses taxpayers must, also submit a qualified appraisal.
- Valuations must be updated with information from market transactions that indicate the value of the business, such as arms-length sales of a full or partial equity interest. If there has been such a transaction within the past ten years, the business must be valued at no less than the value implied by this transaction, increased by a market rate of return determined by the California Franchise Tax Board (FTB).
- Hard-to-value and illiquid business assets may be valued under special rules, as outlined in the bill.

The legislation provided for an additional 20% penalty, on top of existing tax penalties, for large amounts of under reported tax. The penalty increases to 40% in the event under reporting was the result of failing to report assets, regardless of whether the omission was intentional or not.

California’s proposals allowed for 1.5% of projected wealth tax revenues in the first two years of the tax to be used to build new enforcement capacity at the FTB and California Attorney General’s office. It would have also established a task force to review and ensure ongoing resource needs, especially

resources needed to ensure a high audit rate. The bill would have also granted FTB authority to hire outside counsel or experts to aid in enforcement.

#### *Outreach efforts*

The department contacted the prime sponsor of AB 259 to discuss the details of the proposal, but we have yet to receive a response.

The department also connected with Tristan Brown, Legislative Director for the California Federation of Teachers (CFT), the primary stakeholder doing advocacy work on the wealth tax bills that have been introduced over the past few years in California. According to Mr. Brown, the recent wealth tax proposals relied on California's existing tax infrastructure for enforcement and administration on issues such as residency determination and verification. California already has a tiered personal income tax, a capital gains tax, and an estate tax, which all have enforcement and administrative provisions that closely align with that of the proposed wealth tax. Another existing statute that the wealth tax proposal relied on is California's False Claims Act (FCA), which allows private citizens to initiate lawsuits alleging that another party has attempted to defraud the state of California. Prevailing plaintiffs can share in a portion of the recovery. Historically, the FCA was not applicable to tax claims. However, the proposal would have expanded the FCA to any "claims, records, and statements" connected to a wealth tax filing.

#### *Connecticut: An Act Concerning the Reformation of Certain Taxes and Tax Equity*

During the 2023 legislative session, Connecticut lawmakers proposed [House Bill 5673](#) (HB 5673), which would have established a 5% capital gains surcharge, increased the rate on the highest income tax bracket, and required the Connecticut Department of Revenue Services (DRS) to perform a "tax gap study" as well as a more detailed "tax incidence report," among other provisions relating to tax equity. The capital gains surcharge and income tax rate increase did not pass, but the tax gap study and tax incidence report provisions became law.

The tax gap study provisions require the DRS to estimate the state's tax gap and develop a strategy to address it. Tax gap is defined as the difference between the amount of taxes and fees owed under full compliance with all state tax laws and the amount of state taxes and fees voluntarily paid. This difference can be the result of failing to file tax returns, underreporting tax liabilities, or not paying all taxes and fees owed. The tax gap estimate must include an analysis of income and population distribution for:

- Every 10 percentage points (i.e., by income decile).
- The top 5% of all income taxpayers.
- The top 1% of all income taxpayers.
- The top 0.5% of all income taxpayers.

The tax incidence report is an existing report that DRS provides biennially to the Connecticut Legislature that reports on the overall incidence of various taxes during a specified period. Provisions of the 2023 bill:

- Expanded the taxes covered in the report to include the pass-through entity tax and any other tax that generated at least \$100 million in the fiscal year before the report's submission.
- Required additional information on tax burden distribution, effective tax rates by population distribution, and the distribution of tax credits and modifications (e.g., property tax credit, state earned income tax credit, pass-through entity tax credit, and other tax modifications resulting in \$25 million or more in lost revenue).



### *Outreach efforts*

The department met with Connecticut Representative Kate Farrar, one of the sponsors of HB 5673, to discuss the administrative and enforcement challenges that were considered when developing the bill and any strategies contemplated to address these challenges. Representative Farrar believes the results of the tax gap study and tax incidence report will help with enforcement and administration of any new or existing taxes on the ultra-wealthy and that the study should identify some of the wealth gaps and income that is not currently being reported to, or taxed by, the state. Representative Farrar also explained that the tax gap study could identify opportunities for greater use of technology for income tax enforcement and opportunities for increased funding to address the staffing shortage of DRS auditors in Connecticut. The first tax gap study report is due December 15, 2024.

### *Hawaii: Wealth Asset Tax*

During the 2023 legislative session, Hawaii lawmakers introduced [Senate Bill 925](#) (SB 925), which would have established a wealth asset tax of 1% on the state net worth of each individual taxpayer who holds \$20 million or more in assets in Hawaii. A taxpayer's state net worth includes the aggregate value of all assets, including real property, financial intangible assets, and tangible personal property.

During the 2022 legislative session, a similar proposal, [Senate Bill 2389](#) (SB 2389), was introduced which would have established a wealth asset tax of 1% on all assets of a taxpayer except for interests in real property in excess of \$50 million, and an additional 0.5% surtax on assets in excess of \$1 billion.

### *Outreach efforts*

Legislative staff from the Office of Senator Karl Rhoads, the prime sponsor of the 2022 and 2023 bills, explained that these measures did not pass, but that the 2023 bill will carry over to the 2024 session. Staff explained that when drafting these proposals, they considered U.S. Senator Ron Wyden's (D-OR) congressional proposal for a "billionaire's tax" that was being discussed nationally in 2022 and recent California state proposals. They ultimately based the proposal on California legislation, specifically [Assembly Bill 1253](#) (AB 1253) in 2020 and [Assembly Bill 310](#) (AB 310) in 2021. Staff also explained that a separate tax analysis is not routine for introducing legislation in Hawaii and that the relevant agencies provide comments on bills during any legislative hearings.

Public testimony on SB 925 from Hawaii's Attorney General highlighted that the bill raised a novel issue under section 3 of article VIII of the Constitution of the State of Hawaii. According to the Attorney General, "Existing case law does not provide a clear answer to the question of whether a tax on net worth, where calculating net worth requires consideration of the taxpayer's assets, which includes real property among other assets, necessarily constitutes a 'taxation of real property' within the meaning of article VIII, section 3 [of the Constitution of the State of Hawaii]."

Hawaii's Department of Taxation (HDOT) also provided public testimony on SB 925. Most aspects of administration and enforcement for the bill were left to the HDOT to adopt rules as necessary. The agency requested that the bill be amended to add necessary details to implement and administer the tax, specifically addressing the types of debt that would be considered in determining net worth, valuation and apportionment methodologies, audit and assessment provisions, among others. The HDOT also suggested a working group be convened to develop and recommend a detailed tax proposal.

### Illinois: Extremely High Wealth Mark-to-Market Tax Act

During the 2023 legislative session, Illinois lawmakers introduced [House Bill 3039](#) (HB 3039), which would have established a novel mark-to-market tax on the gains or losses of net assets held by a resident taxpayer worth a fair market value in excess of \$1 billion. A mark-to-market tax is a tax that requires a taxpayer to recognize gains or losses on an asset owned by the taxpayer at the end of a reporting period, usually the end of the tax year, as if the asset was sold for its fair market value on that date with adjustments made for mark-to-market taxes paid in prior years. The bill attempted to address tax avoidance by outlining that any feature of an asset, such as a poison pill, that was added with intent and has the effect of reducing the value of the asset is disregarded for valuation purposes. The bill provided select administrative provisions for the Illinois Department of Revenue (IDOR), such as requiring the IDOR to specifically request the filing of mark-to-market tax forms by any resident individual expected to have net assets in excess of \$1 billion. The bill also stated that taxpayers with an adjusted gross income summed over the previous 10 years in excess of \$600 million must file the mark-to-market tax forms. However, most other aspects of administration and enforcement for the bill were left to the IDOR to adopt rules as necessary. The bill did not pass during the 2023 legislative session.

#### *Outreach efforts*

The department contacted the prime sponsor of HB 3039 to discuss the details of the proposal, but no response has been received as of the date of this report.

### Maryland: Investing in Marylanders Act of 2023

During the 2023 legislative session, Maryland lawmakers introduced [House Bill 337](#) (HB 337), which was a comprehensive tax package intended to limit corporate tax deductions and to establish a 1% capital gains surcharge. Maryland's tax structure requires that the state conform to federal tax reforms. Based on public testimony provided by the bill's prime sponsor, Delegate Julie Palakovich Carr, many of the changes in the bill, such as the removal of the deduction for foreign-derived intangible income and the real estate investment trusts taxable income deduction, were intended to undo provisions of the Federal Tax Cuts and Jobs Act of 2017 and to align Maryland with other states. The bill did not pass during the 2023 legislative session.

#### *Outreach efforts*

The department reached out to the prime sponsor of HB 337 to discuss the details of the proposal, but no response has been received. The department also contacted the policy analyst who completed the fiscal note analysis from the General Assembly of Maryland Department of Legislative Services, who directed us to contact the prime sponsor with questions about the bill.

### Minnesota: Net Investment Income Tax and Capital Gains Tax

During the 2023 legislative session, the Minnesota Legislature enacted [House File 1938](#) (HF 1938), a new net investment income tax of one percent on net investment income over \$1 million, effective for taxable years beginning after December 31, 2023. Net investment income is income as defined by [section 1411\(c\)](#) of the Internal Revenue Code. The net investment income tax would be in addition to Minnesota's individual income tax.

Additionally, during the 2023 legislative session Minnesota Governor Walz's introduced a budget plan with a proposed capital gains tax. This would have imposed a capital gains tax on "preferential rate income," which is defined as the sum of net long-term capital gain income, as defined in [section 1222](#) of

the Internal Revenue Code, plus qualified dividend income, as defined in [section 1\(h\)\(11\)](#) of the Internal Revenue Code. The proposal also included an additional income tax on all preferential rate income over \$500,000, but less than \$1 million, of 1.5%. The proposal was not adopted during the 2023 legislative session.

#### *Outreach efforts*

The department contacted the Governor's office and the prime sponsor of HF 1938 but has yet to receive a response.

#### *New York: Billionaire Mark-to-Market Tax Act*

During the 2023 legislative session, New York lawmakers introduced [Senate Bill S1570](#) (SB S1570), which would have established a novel mark-to-market tax on the gains or losses of net assets held by a resident taxpayer worth a fair market value of \$1 billion or more. These gains or losses would be taxed in the same way as the existing income tax and capital gains tax. Assets include all real or personal, tangible or intangible property, wherever situated, and are to be valued at fair market value. The bill attempted to address tax avoidance by outlining that any feature of an asset, such as a poison pill, that was added with intent and has the effect of reducing the value of the asset is disregarded for valuation purposes. The bill provided select administrative provisions for the New York Department of Taxation and Finance (NYDOTF), such as outlining what assets should be reported on a tax return. However, most other aspects of administration and enforcement for the bill were left up to the NYDOTF to adopt rules as necessary. The bill did not pass during the 2023 legislative session.

#### *Outreach efforts*

The department contacted the prime sponsor of SB S1570 but has yet to receive a response. Of note, the language in this proposal closely aligns with Illinois' mark-to-market tax proposal.

#### *Washington: Washington State Wealth Tax*

During the 2023 legislative session, Washington lawmakers introduced [Senate Bill 5486](#) (SB 5486), which was a narrowly tailored property tax on extreme wealth derived from the ownership of stocks, bonds, and other financial intangible property. This proposal would have imposed a wealth tax on each Washington resident at a rate equal to one percent multiplied by the Washington resident's taxable worldwide wealth. Taxable worldwide wealth was defined as the fair market value of all of a person's financial intangible assets as of December 31 of the tax year. Up to \$250 million of a person's financial intangible assets would be exempt from the tax.

Financial intangible assets were defined as:

- Cash and cash equivalents.
- Financial investments such as: annuities, bonds, treasury bills, mutual funds or index funds, stocks, publicly traded options, futures contracts, commodities contracts, put and call options, pension funds, mortgages and liabilities secured by real property, certificates of interest in gold and other precious metals or gems, and other similar investments.
- Units of ownership in a subchapter K entity.
- Similar intangible assets.

As a note, the department believes the proposed tax in SB 5486 would likely be considered a property tax and, therefore, must comply with the constitutional limitations applicable to property taxes. If

correct, the tax must be uniform and the aggregate tax rate of the tax must not exceed \$10 per \$1,000 of true and fair value of the property subject to tax.

#### *Outreach efforts*

The department was consulted during the development of SB 5486.

### Comparative Analysis: Country by Country Detail

Our research into wealth taxes in other countries is not limited to traditional wealth taxes. The department has also contacted countries and analyzed taxes that have features of a wealth tax, such as taxes that apply to securities holdings or real estate, given the similarities in administration and enforcement. Currency conversions are provided for context in each section. The values are approximate and as of exchange rates on November 1, 2023.

#### Argentina

Argentina levies an annual wealth tax the global assets of individuals exceeding ARS 11 million (approx. \$32,000). No deduction is available for liabilities. The tax rate is progressive, ranging from 0.5-1.75% for assets held in Argentina and 0.7-2.25% for assets held abroad. These taxable assets include, among other items, real estate, vehicles, and bank accounts. However, savings accounts, term deposits at Argentine banks, and Argentine government bonds are exempt from the wealth tax. Individuals domiciled abroad and working in Argentina for less than five years only owe wealth tax on their personal assets located in Argentina. Taxes are self-assessed and reported by taxpayers annually.

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### Belgium

The Belgian Parliament adopted an annual tax on securities accounts on February 26, 2021. A 0.15% tax applies to the average value of securities accounts held by resident and non-resident individuals, companies, and legal entities. The tax applies to all securities (including cash in the securities account) if the average value of the securities account exceeds EUR 1 million (approx. \$1.07 million), with the tax determined based on the entire average value. The tax is levied on securities accounts and financial intermediaries declare and pay the tax annually on behalf of account owners.

The law featured a general rebuttable anti-abuse provision that would disregard transactions designed to evade the tax between the announcement date of the tax, October 30, 2020, and its effective date, February 26, 2021.

In addition, the law included two specific irrebuttable anti-abuse provisions to address tax avoidance by account owners:

- Splitting the securities account into several accounts with the same financial institution, whereby securities that are held on one account are transferred to one or more other accounts, in order to remain under the EUR 1 million (approx. \$1.07 million) threshold per account.
- Converting (dematerialized) securities held on a securities account into nominative instruments that are not held on a securities account, and which are directly registered with the issuer.

These irrebuttable anti-abuse provisions were annulled by the Constitutional Court of Belgium. However, the general anti-abuse measure is still an effective enforcement tool for tax avoidance. In short, it is possible that a split or conversion may still qualify as tax abuse under the general anti-abuse provision.

In addition, most financial institutions are subject to the Fiscal Prevention Policy which prevents any cooperation with clients that intend to avoid the annual tax on securities accounts. By systematically enabling or assisting clients in their efforts to avoid the annual tax on securities accounts, the institution could be accused of using a “special tax fraud mechanism” which could lead to administrative sanctions from regulators and even criminal prosecution of the employees involved.

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### *Colombia*

Effective January 1, 2023, Colombia’s Tax Reform Law is an annual wealth tax for individuals with net worldwide wealth that exceeds 72,000 tax value units (TVU) (approx. \$764,000). Taxpayers are allowed to exclude the value of their household up to TVU 12,000 (approx. \$127,000). Taxpayers subject to the wealth tax include residents as well as nonresidents that own wealth held in Colombia. Progressive rates range from 0.5%-1.5%.

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### *Italy*

Italy does not have a general wealth tax. However, they have four taxes that share wealth tax features.

The municipal tax on property is a tax on the gross cadastral value of real estate, with a tax rate ranging from 0.1-0.86% depending on the type of real estate (agricultural, industrial, and other). The cadastral value is a value that is established by tax authorities for any property based on the registered value of the land and its buildings, similar to property tax assessments completed by county assessors here in Washington. Primary residences are exempt unless they are classified as luxury properties, which is a classification based on cadastral criteria and case law.

The foreign property tax is a 0.76% tax on the value of real estate located outside of Italy. The valuation methodology depends on the location of the property. The tax is not due if the total tax liability falls within a de minimis amount, currently set at EUR 200 (approx. \$217).

The stamp duty is a tax on all communications, recordings, and deeds issued to or by competent authorities or financial intermediaries. For bank communications, such as bank statements, an annual fixed amount of EUR 34.20 (approx. \$36.63) is charged for individuals and EUR 100 (approx. \$109) for businesses. The tax only applies to bank accounts with an annual average balance more than EUR 5,000 (approx. \$5,300). A 0.2% tax applies to the fair market value of communications related to financial products.

The foreign investment tax is a 0.2% tax on the fair market value of foreign financial assets. If an investment is not traded on a stock exchange, the nominal value is used. When a nominal value cannot

be identified, the redemption value or purchase price is used. Precious metals and certain shareholdings in limited companies do not fall within the definition of financial products and are not subject to the tax.

These taxes are self-assessed and reported by taxpayers annually, except for the stamp duty on bank communications, which most banks collect and remit on behalf of taxpayers. Reporting, payment, and penalty provisions for these taxes are the same as existing Italian income tax reporting laws. If a taxpayer has a reporting obligation for foreign assets, irrespective of whether tax may be due, irregularities in filing can result in penalties ranging from 3% to 15% of the undeclared tax due amounts (6% to 30% in cases where the assets are held in a “blacklist” country). Failure to report may result in penalties ranging from 90% to 180% of the tax due. The late payment penalty is 15-30% of the unpaid amount, depending on the length of the delinquency.

The Italian tax authority has a statutory lookback period of five years for filed returns and seven years for understated or incorrect returns. Audits take three forms:

- An initial check, carried out automatically on all tax returns before the submission of the tax return.
- A second formal check, carried out on samples of tax returns to control that information reported in a tax return is correct.
- A substantive audit, intended to correct information reported on a tax return and to do tax discovery on non-filers. The tax authority uses information and documentation acquired through inspections and verifications. This process usually begins with summons or questionnaires requesting supporting documentation. The Italian tax authority can request financial information from banks concerning the personal accounts of a taxpayer.

#### *Outreach efforts*

Italy’s federal tax authority responded to our questionnaire and explained that they do not have a wealth tax, nor, to the best of their knowledge, any proposals for such a tax. As a result, they did not provide answers to our questions.

#### Norway

Norway’s wealth tax is a 1% tax on the fair market value of a resident’s net global assets, regardless of the type of asset or the asset’s location. The tax applies to an individual’s worldwide net wealth above NOK 1.7 million (approx. \$150,000). When net wealth exceeds NOK 20 million (approx. \$1.8 million), the marginal tax rate increases by 0.1%. Certain financially intangible assets are exempt from tax, including conditional rights and time-limited rights of use, goodwill and know-how, and interest and dividends on stocks.

There are multiple tax preferences and valuation discounts available depending on the asset type:

- Shares in listed companies are valued at 65% of their listed price.
- Unlisted shares in Norwegian companies are valued at 65% of the proportion of the company's total tax value.
- Unlisted shares in foreign companies are valued at 65% of the presumed sales value of each share.
- Primary residences are valued at 25% of estimated market value up to NOK 15 million (\$1.4 million). Residences above this are valued at 50% of estimated market value. Commercial properties are valued at 65% of estimated market value.

The Norwegian Tax Act includes a wealth tax provision for persons with rights to income from, and use of, assets or properties. For example, this provision may apply to a beneficiary of a fixed-income trust where the beneficiaries annually receive all income from the trust. If the beneficiaries have full control over the trust and can take back the trust's assets, the trust is sometimes disregarded for tax purposes.

Wealth taxes in Norway are self-assessed and reported biannually. Third-party information about the individual wealth base is sent to the tax authorities from banks and publicly traded as well as private companies.

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### Netherlands

Dutch tax authorities in the Netherlands are currently implementing a three-box method on their income tax return to tax wealth and capital gains. Income from work is taxed in box 1, substantial interest is taxed in box 2, and capital and income from savings and investments is taxed in box 3. The wealth tax in the Netherlands is calculated based on the value of the assets declared in Box 3. Dutch tax authorities are currently working towards a capital gains system for box 3 as well, with an estimated completion date of 2026. The taxation of individuals in the Netherlands is progressive and the rates and exemption amounts are subject to minor changes every year.

For 2022, assets below EUR 50,650 (approx. \$54,000) in value are exempt. Taxpayers are allowed to apply debts as a credit up to EUR 3,200 (approx. \$3,400) per person in 2022. Taxes are self-assessed and reported annually by taxpayers, at a 31% rate for box 3 income in 2022 (32% in 2023).

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### Spain

Spain's wealth tax is levied on the worldwide net wealth of each individual resident. Certain assets, such as antiques/historical goods, intellectual property owned by the creator, pension plans, and certain insurance policies, are exempt. Each taxpayer is allowed a EUR 700,000 (approx. \$760,000) personal allowance and a EUR 300,000 (approx. \$325,000) primary residence exemption.

The wealth tax has a federal and local component. The tax is administered at the local level, and local jurisdictions have authority to adjust exemption values, tax rates, and deductions. At the national level, wealth tax is levied on a progressive sliding scale. If a local jurisdiction has not passed its own tax rate, the general tax scale, ranging from 0.2-2.5% applies.

Each class of property has a unique valuation methodology:

- Real estate is valued at the higher of either the acquisition value, the cadastral value, or the value assessed by the tax authorities in the context of a tax proceeding.
- Bank deposits are valued at the higher of the bank balance as of December 31 or the average bank balance of the last quarter.
- Stocks are valued at the average fair market value of the last quarter.
- Unlisted shares have two possible valuation methodologies:

- If the company has been audited and the audit report has been unqualified, the value used is the net book value of the shares.
- If the company has not been audited or if the audit report has not been unqualified, the value used is the higher of the share capital, the net book value; or the amount resulting from capitalizing at 20% the average of the profits derived from the last three years.

Wealth taxes in Spain are self-assessed and reported by taxpayers annually. Wealth tax returns must be filed even if no tax is due. The maximum late fee is 20% of the tax due and applies when payment is delayed more than a year. Interest for late payment only starts to accrue after the first year of delay. The taxing authorities have the ability to initiate an audit within the same four-year period. Audits are handled by the local jurisdictions, although federal tax authorities may complete wealth tax audits when reviewing other taxes, such as personal income tax, corporate income tax, or non-resident income tax.

#### *Outreach efforts*

The department contacted the federal tax authority but has yet to receive a response.

#### Switzerland

Switzerland's wealth tax is a tax on the net worldwide assets of Swiss residents. All assets are subject to wealth taxation except personal household items, pensions, assets attributable to foreign businesses, and foreign real estate. Taxpayers may deduct all personal liabilities from their total assets.

Switzerland is composed of the federal state and 26 cantons, which are member states of the federal state. The Federal Constitution of the Swiss Confederation allows the Swiss cantons the full right of taxation except for taxes that are exclusively reserved for the federal government. All cantons levy a wealth tax and determine their own wealth tax rates, ranging from 0.13-1.1%. All cantons have a general wealth tax allowance of between CHF 70,000 (approx. \$77,000) and CHF 200,000 (approx. \$220,000) depending on the canton.

The 1990 Federal Tax Harmonization Law (FTHL) harmonizes the major aspects of the cantonal tax systems, such as the tax base, but only provides broad guidelines concerning valuation. Non-business assets must be valued at market value (without defining market value) and business assets must be valued at book value. The value of private companies is determined each year by the cantonal tax authorities based on an inter-cantonal administrative guideline agreed upon by the cantonal tax departments. When the value of a company cannot be easily be assessed, the value is determined using a formula called "the practitioner's method." A company's value is determined by calculating the weighted average of its "earnings value" and its net asset value (fair market value of assets minus liabilities), effectively counting the earnings value twice. The earnings value is determined by capitalizing the adjusted average net profit of the last two or three years with a capitalization rate (currently 7%), which applies uniformly to all industries. Holding companies or real-estate companies are valued based on the net asset value of the underlying assets.

Wealth taxes are self-assessed and reported by taxpayers annually. The wealth tax return is part of the income tax return, so wealth taxes (and a taxpayer's net wealth) must be filed annually even if no taxes are due.



### Outreach efforts

3 of the 26 Swiss cantons responded to the department's questionnaire as of the writing of this report. They highlighted that the biggest administrative challenge is identifying and valuing assets, particularly non-marketable assets. When asked about compliance rates, they estimated a high compliance rate, which is aided by the global standard for the automatic exchange of information on financial accounts and voluntary disclosure programs.

### Additional considerations

#### Pending United States Supreme Court Case: *Moore v. United States*

Currently, the United States Supreme Court is considering a case that will determine whether the federal government had the authority to impose the Mandatory Repatriation Tax under [26 U.S.C. section 965](#). See *Moore v. United States*, 36 F.4th 930 (9th Cir. 2022), *cert. granted*, 143 S. Ct. 2656 (2023). The Mandatory Repatriation Tax was a onetime tax where United States shareholders of certain specified foreign corporations were required to pay a transition tax on the untaxed foreign earnings of those corporations as if those earnings had been repatriated to the United States. While this case does not appear to address whether a state can impose a state-level wealth tax, it could have an impact on Washington's ability to do so depending on the scope of the final opinion. Washington should carefully evaluate the impact of this upcoming decision as it considers wealth tax proposals going forward.

### Closing remarks

The department continues to receive questionnaire responses from other jurisdictions and is still actively researching other wealth taxes, whether in the proposal stage or currently enacted. We will continue working with subject matter experts and connecting with our colleagues in other states/countries. Our final report will include an analysis of the legal limitations we have identified in Washington along with recommendations for administrative best practices based on responses we have received to our questionnaires and conversations with tax administrators, subject matter experts, and academics. The department intends to update the fiscal model in order to explore options for an exemption threshold that balances administrative costs and revenue stability.

## Appendix A: Wealth Tax Questionnaire

### General

1. Who is the wealth tax subject matter expert (name, email, phone)? May we reach out to this person directly if we have any follow-up questions?
2. Is the subject matter expert for wealth tax the same for other taxes on high-net-worth individuals?

### Administration

1. What is your biggest wealth tax administrative challenge?
2. What measures have you implemented to improve ease of administration?
3. Are there any legal constraints or significant administrative challenges that caused you to structure the tax in a way that unique or may appear less than ideal?

### Enforcement

1. What enforcement mechanisms do you use and find effective?
2. What is your biggest enforcement challenge?
3. How do you identify and estimate the wealth of a taxpayer who does not file/pay wealth taxes?
4. What is your compliance rate?
5. How do you plan to enforce wealth taxes against taxpayers who move out of your jurisdiction?