



## 2025 State Tax Proposals

Last week, legislative Democrats in Washington State rolled out their tax increase proposals. The Senate Democrats' plan raises \$17 billion over the next four years while the House Democrats' proposal raises \$15 billion over that same period. **B&O taxes on producers' commissions increase by over 350% - the rate explodes from 0.484% to 1.75% - under the Senate plan.**

The size of the proposed tax increases indicates legislative Democrats are pursuing fully funded budgets rather than making substantial cuts. This runs counter to Democratic Gov. Bob Ferguson's plan to cut \$4 billion in spending during the next four-year budget cycle. The state faces a projected \$12 billion budget deficit over the next four years due to the mismatch between revenue and spending.

### SENATE - \$17 Billion in New Tax Revenue Over Four Years

#### Repealing 20 Tax Preferences [SB 5794](#)

- Repeals tax preferences for insurance agents' commissions (B&O tax rate is increased from 0.484% to 1.75%).
- Repeals another 16 tax preferences, deductions, and exemptions across multiple industries for agriculture, healthcare, energy, and nonprofits.

#### "Wealth Tax" – Taxing Financial Intangible Assets [SB 5797](#)

- Applies a 1% tax surcharge on assessed value of certain financial assets held by individuals with more than \$50 million of these assets.
- Exemptions include pensions, retirement accounts, and education savings accounts.
- Definition of "Financial intangible assets" includes cash, cash equivalents, and various financial investments like bonds, stocks, mutual funds, options, futures, commodities, and ownership units in business entities.

### **Removing Property Tax Annual Growth Cap [SB 5798](#)**

- Removes the annual 1% cap on the property tax growth limit.
- Changes the annual cap to the greater of 100% plus population change and inflation or 101% for the state's common schools levy, cities and counties, and special purpose districts.

### **“Head Tax” - Payroll Tax [SB 5796](#)**

- 5% tax on payroll expenses, paid by the employer, on the employee's wages above the Social Security threshold — currently \$176,100 per year.
- Limited to companies with \$7 million or more in payroll expenses.
- Includes credit for businesses already paying Seattle's “JumpStart” tax.
  - It would credit only the Seattle payroll tax in effect on 1/1/2024. As a result, taxpayer will not get credit for the new 5% city payroll tax on compensation over \$1 million. Thus, there would be a possible 10% combined tax on Seattle payroll above \$1 million (5% state and 5% city).

### **Reducing the sales & use tax [SB 5795](#)**

- Reduces the state portion of the sales tax rate from 6.5% to 6%.

## **HOUSE - \$15 Billion in New Tax Revenue Over Four Years**

### **“Wealth Tax” – Taxing Financial Intangible Assets [HB 2046](#)**

- Applied a 0.8% tax surcharge on assessed value of certain financial assets held by individuals with more than \$50 million of these assets.
- The tax applies to once the assets' total value hits \$50 million.
- Exemptions include pensions, retirement accounts, and education savings accounts.

- Definition of "Financial intangible assets" include cash, cash equivalents, and various financial investments like bonds, stocks, mutual funds, options, futures, commodities, and ownership units in business entities.

#### **B&O Surcharge on Large Corporations and Financial Institutions [HB 2045](#)**

- Beginning January 1, 2026, a 1% B&O surcharge on businesses with taxable income over \$250 million with exemptions for:
  - Alternative jet fuel manufacturing.
  - Commercial airplane manufacturing activities, aluminum manufacturing, and solar energy systems manufacturing.
  - Semiconductor manufacturing,
  - Manufacturing broadly.
  - Processors of various foods and by-products.
- Beginning July 1, 2025, increases B&O surcharge from 1.2% to 1.9% for financial institutions with annual net incomes of \$1 billion or more.

#### **Property Tax Annual Levy Lid Lift (1% to 3% annually) [HB 2049](#)**

- Allows for state and local property tax increases based on inflation and population changes, not to exceed 3% annually.