

**Summary of Proposed Tax Increases**  
**Governor Inslee's Proposed 19-21 Budget**  
**December 13, 2018**

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**Creating New 9% Tax on Income from Capital Gains**

A state capital gains income tax of 9% would be established, if taxable capital gains exceeds \$25,000 for individuals or \$50,000 for joint filers. The tax would not apply to gains from residential real estate, retirement accounts, certain agricultural and timber lands, and selected other types of gains.

This tax is estimated to generate about \$2 billion per biennium for the state general fund.

**Increasing Real Estate Excise Tax (REET) Revenues With Graduated Rates**

The current state REET is 1.28%. The Governor proposes to create four different state REET rates, as follows:

- .75% for sales less than \$250,000
- 1.28% for sales between \$250,000 and \$1 million
- 2% for sales between \$1 million and \$5 million
- 2.5% for sales over \$5 million

This new REET structure would generate about \$400 million per biennium, and the funds would be transferred to the Motor Vehicle Account (part of the Transportation Budget) to pay for the replacement of culverts in the state highway system.

**Increasing B&O Tax Rates on Service Businesses from 1.5% to 2.5%**

The Governor proposes to increase the B&O tax rate on service business income from 1.5% to 2.5%, and the B&O tax rate on gambling/games of chance income from 1.63% to 2.63%. Businesses that pay B&O tax at the service rate include medical, architectural, legal, accounting, consulting, real estate, and various miscellaneous service businesses.

The increased B&O rates would generate over \$2.5 billion per biennium for the state general fund.