

CENTER ON BUDGET AND POLICY PRIORITIES

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WASHINGTON

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Washington is rated as having a high risk of a structural deficit based on its score of eight on the risk scale for structural deficits.



- In Washington, the percent of sales subject to sales tax declined by 15.9 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points.
- Washington does not have a corporate income tax.
- Washington could lose an estimated \$692 million to \$1.08 billion in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- Washington does not have a personal income tax.
- During 2001-2004, Washington increased its sales tax, motor fuel tax and its alcohol tax. This is problematic because sales and excise taxes lead to slower revenue growth in the long run compared to other taxes.
- Washington has a statutory spending limit that restricts expenditures to the average of inflation for the previous three years plus population growth. Washington has two types of limits on the growth of local property tax revenue: a property tax rate limit and a property tax revenue limit. It also has a supermajority requirement for all tax increases.
- Three other national studies (Hovey 1998, Boyd 2002, and Besendorf & Kottlikoff 2002) found that Washington has a structural gap.
- Lastly, although this paper did not categorize Washington as having unusually high spending needs, it does face some spending pressures from: Medicaid and a growing elderly population.