



I-2109 Repeal the Capital Gains Tax

The capital gains tax initiative on the 2024 Washington state ballot, known as Initiative 2109, seeks to repeal the state's existing capital gains tax. This tax, implemented in 2021, imposes a 7% tax on the sale or exchange of long-term capital assets such as stocks, bonds, and business interests, with gains exceeding \$250,000. Real estate and certain retirement accounts are exempt from this tax.

A vote of yes will repeal the tax! Voting yes on 2109 will repeal the capital gain tax. This tax was voted into law by the legislature in 2021 when Washington State had a huge budget surplus. While

The initiative has been sponsored by Let's Go Washington, who has spent millions to collect needed signatures in time for it to be added to the November ballot, along with three other initiatives in their "Vote Yes Pay Less" campaign.

Four of the top five gubernatorial candidates in the Primary support voting yes on Initiative 2109 to Repeal the capital gain taxes.

- **Dave Reichert (R):** Former U.S. Representative and King County Sheriff, focusing on public safety and economic issues.
- **Mark Mullet (D):** State Senator from Issaquah, emphasizing fiscal responsibility and moderate Democratic policies.
- **Semi Bird (R):** Former Marine and Army Special Forces Green Beret, with a platform focusing on public safety, economic growth, and education reform.
- **Don Rivers (D):** Community activist with a focus on social justice and community development. He expressed opposition to the capital gains tax. He believes the

tax is detrimental to economic growth and could discourage investment in the state. Rivers argues that the tax places an unfair burden on individuals who have invested in long-term assets and that its repeal would benefit the state's economic environment by promoting investment and financial stability.

One Candidate is against repealing the tax.

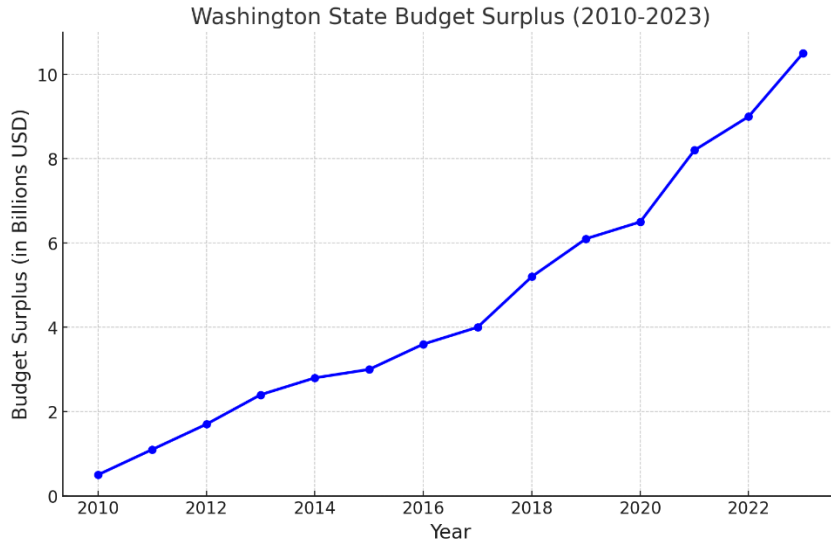
- **Bob Ferguson (D)**: Washington State Attorney General, known for his pro tax stance and many legal battles against the Trump administration. He has spent a huge amount of tax payer money, effectively arguing that capital gains income is not income. Capital gains are considered income at the Federal level.

The Excise Tax Debate: Calculated Renaming of Income

One of the most contentious aspects of the capital gains tax debate has been the legal classification of the tax itself. Attorney General Bob Ferguson's office has invested significant resources—both financial and human—in defending the tax by arguing that it is an excise tax, not an income tax. This distinction is crucial because Washington's constitution prohibits an income tax. Ferguson's legal team contends that the tax is levied on the privilege of selling certain assets, rather than directly on the income generated by the sale, making it an excise tax. However, this argument has faced significant legal challenges, with critics asserting that the tax functions like an income tax in practice, taxing the profits from asset sales.

This rebranding of income as an 'excise tax' to justify collecting additional revenue could be seen as a calculated maneuver by the attorney general, who now has his sights set on the governor's office. This type of political strategy to get around the constitution is concerning, especially for the person seeking the office of Governor. [The Washington constitution](#) does not allow for income tax.

Over the past ten years, Washington state has generally experienced budget surpluses. For each of the last six years, the state has collected more in general fund revenue than it has spent. The surplus has grown significantly during this period, expanding from \$234 million to more than \$900 million annually. This has been partly due to increased revenue from taxes and other sources.



Washington State has had budget surpluses every year since 2010. According to these figures, this capital gain tax was added during a timeframe in which tax collections exceeded expenses for over a decade.

Western Washington Moderates Position:

It is wrong for any government to vote in new taxes, when the money is clearly not needed. (During over a decade of large budget surpluses.) While the state calculated this would be a windfall tax on the wealthy. It has turned out to be the final straw for many Washington residents who can simply relocate. Jeff Bezos alone would have paid 1.5-2 billion dollars a year, estimated 45% of the tax. What is the incentive for him to stay in Washington? What has Washington lost now that this very philanthropic businessman has taken his life and his philanthropy to Florida? The loss of Jeff Bezos alone likely makes the tax a net loss for the state.

It is suspect that AG Bob Ferguson found a way to rebrand the tax as an excise on privilege of selling an asset, to skirt around the constitution. This policy is said to likely drive wealthy people out of our state, it is also a disincentive for entrepreneurs to start business here. [Geek Wire article](#). Why would an entrepreneur choose Washington to start a business, with the already high B&O taxes, and now an additional tax upon selling the business of 7%. This does not just affect the "rich". It affects any resident who might have a large one-time capital gain upon selling a business.

Jeff Bezos did indeed move out of the state of Washington in 2023. He moved to Florida. Although his given reason was to live near his parents, previous interviews pointed to the move being related to this new capital gains tax. [Read more here.](#) [And here.](#)

Jeff Bezos is not the only one moving out of Washington. [See this Washington Policy article.](#) Data from moving companies like U-Haul suggests that Washington has experienced a significant decline in desirability as a place to live, falling from the 5th most desirable state to 36th. The combination of high taxes, increased regulation, and rising crime has contributed to this trend, and some residents, including wealthy ones, are leaving the state in search of lower-tax alternatives like Florida, Texas, and Tennessee. When calculating how much the wealth tax would bring in revenue for Washington, state economists assumed that the tax would cause migration of some wealthy individuals out of the state. This according to an article in the [Tax Foundation.](#)