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Piecemeal tax approach doesn't go far enough to fix system

THE OLYMPIAN

Ten years ago Bill Gates Sr., father of Microsoft founder Bill Gates, Jr., headed an independent commission that recommended an income tax for Washington state.

That study has rested on some shelf gathering dust for the last decade. Lawmakers have ignored it in the belief that an income tax is something to be avoided at all costs.

Gates senior is now leading a statewide effort to pass Initiative 1098, which imposes an income tax on high wage earners.

The Olympian's editorial board opposes I-1098 and urges a "no" vote on Nov. 2.

That's not to say we believe this state's tax structure is fair or progressive. In fact, it's neither.

It's patently unfair that, according to one 2009 study by the Institute on Taxation and Economic Policy, the lowest 20 percent of wage earners in Washington state pay 17 percent of their family income in taxes, while the top 1 percent of wage earners pay about 2.6 percent of their income in taxes.

That's not fair and that's not equitable.

Gates' solution is to impose a tax on adjusted gross income on any individual above \$200,000 per year or \$400,000 for a couple. I-1098 also would reduce state property tax levies, reduce business and occupation taxes. It directs all money raised by the income tax — an estimated \$2.285 billion in the first year — to education and health programs in this state.

Skeptics, and there are legions of them, are quick to note that this is an initiative — a law that can be changed by the Legislature after two short years. Critics believe — vehemently — that this is the camel's nose under the tent, that after two years, lawmakers will lower the wage threshold and extend the income tax provision to every wage earner.

Gates argues that there would be such a public uproar if that were attempted that lawmakers would find themselves dealing with an immediate referendum or initiative to overturn their decision.

Critics also question the constitutionality of an income tax initiative, believing the new tax can only be adopted through a constitutional amendment.

Undoubtedly, the courts would have to decide the constitutionality question.

Our objection to I-1098 deals with neither the camel-under-the tent fear, nor the constitutional question. We believe if an income tax is to be seriously considered in this state, it must be part of comprehensive tax reform that is adopted by the voters as a constitutional amendment. A piecemeal approach to tax policy has resulted in what we have today — a convoluted tax policy where business owners cry crocodile tears over a business and occupations tax on gross receipts rather than net receipts; and where landowners say the escalating property tax is driving them from their homes. The sales tax is equally unpopular.

The truth is that Washington is one of only a handful of states without an income tax, and every attempt to impose one here has been turned back. Opponents make a convincing argument that not having an income tax attracts business owners to this state.

The fact is this difficult, complex debate over an income tax scrapes the scab off the wounds of voters across this state. It exposes a huge distrust in our state Legislature and a belief that lawmakers will override citizen initiatives in a heartbeat. The debate also exposes an utter lack of faith in this state's ability to meaningfully educate our children and properly provide assistance to the poor, the elderly, the infirm and those people living on the fringes of society.

Is there a need to bolster spending on education and health care services? Absolutely. Will I-1098 actually provide the promised revenue? We're not convinced.

Would an income tax on high-wage earners provide a reliable source of revenue that would be guaranteed to go to education and health care? Again, we're not convinced.

We need serious top-to-bottom tax reform in this state, a whole package that recognizes our economy is more service-based than goods-based.

Tax reform must protect our small-businesses from drowning in tax debt because they are the generators of new jobs.

And yes, we need an income tax that is fair and equitable and ensures that the wealthy pay their fair share.

Washington's regressive tax structure is in desperate need of an overhaul, but Initiative 1098's piecemeal approach is not the answer. I-1098 should be rejected by voters on Nov. 2.

Read more: <http://www.theolympian.com/2010/10/08/v-print/1396669/piecemeal-tax-approach-doesnt.html#ixzz1BWPOS4IM>