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Subject: Washington Supreme Court upholds capital gains tax

Washington Supreme Court upholds capital gains tax

In a much-anticipated ruling, the state's highest court has upheld Washington's tax on capital gains income. The [7-2 ruling](#), released Friday, said the [7% tax on capital gains](#) income above \$250,000 is properly considered an excise tax, not an income tax.

Not overturning precedent: The court's ruling does not overturn a 1933 legal precedent that considers income to be property, which the state constitution said must be taxed uniformly, and which has prevented the Legislature from creating a progressive income tax. Still, "the court did seem to go out of its way to both cast doubt on and bemoan the results of that opinion," The [Seattle Times](#) reports.

- The ruling "contradicts common sense," [The Wall Street Journal](#) wrote: "The majority opinion boasts that 'forty-one other states and the District of Columbia tax capital gains.' Yes, and every one considers capital gains to be income."

Immediate impact: In response to the ruling, Camas-based Fisher Investments announced that it will [relocate its corporate headquarters to Dallas, Texas](#).

- Fisher Investments, founded in 1979 by investing guru Ken Fisher, [expressed its disagreement with the ruling](#) by saying its decision to move is "in honor of the Washington State Supreme Court's wisdom and knowledge of the law, and in recognition of whatever it may do next."

AWB statement: This ruling hurts the state's competitiveness and moves Washington closer to an income tax, which voters have rejected many times, AWB said in response to the ruling.

- "Proponents argue the capital gains tax makes Washington's tax system more progressive, but we have not seen an equivalent reduction in sales tax or business and occupation tax," [said AWB President Kris Johnson](#). "It is simply a new tax at a time when it's not needed. In the last five years, the Legislature has raised 22 other

taxes which will collectively raise \$40 billion over 10 years. Instead of constantly looking for ways to raise more taxes, we encourage lawmakers to consider ways to invest in the economy.”

Impact on budget: The tax is expected to bring in roughly \$500 million a year in extra revenue. That includes an estimated \$248 million this biennium, \$1.1 billion in 2023-2025, and \$1.5 billion in 2025-2027. The state’s revenue forecast and this year’s legislative budget proposals all assume the tax will be collected, so the Supreme Court’s ruling will not affect budget projections.

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