

AN OPEN LETTER TO THE WASHINGTON STATE LEGISLATURE

April 15th, 2015

Honorable Members of the Legislature:

Everyone who works hard deserves an equal shot at the American Dream. In America, we keep this promise by working together to build good schools and fund community services that create opportunities and keep our families strong.

This legacy is threatened by the budget cuts that have torn billion dollar holes in funding for education, healthcare, and other essential public services. The Supreme Court is very clear that we are failing to meet our constitutional obligation to fully fund basic education.

We, the undersigned, have done well in Washington State, and we are committed to doing well by Washington State. That is why we are urging you to end an unnecessary and unneeded tax break for the wealthy on the sale of stocks, bonds and other high-end capital gains.

As investors, employers, employees, and residents of this great state we have all benefited tremendously from a strong education system and from important investments in infrastructure and communities that make Washington a great place to live and do business. We care deeply about Washington and we fear that we are leaving a bankrupt state to Washington's children and grandchildren. After more than \$10.5 billion in budget cuts in recent years, a college education has moved out of reach for thousands of aspiring students because of skyrocketing tuition and disappearing financial aid. Thousands have lost health and dental coverage. Budget cuts have undermined key supports that help parents keep a job and put food on the table.

At the same time our tax system is increasing income inequality. Washington State has the most regressive tax system in our nation. Our poorest families pay 16.8 percent of their income in taxes — a number that is clearly too high — while those of us in the top one percent pay only 2.4% — a number that is clearly too low.¹ Making matters worse, all of Washington's real income growth since the recession went to those of us in the top one percent. Between 1979 and 2012, real income for the bottom 99 percent in our state fell by 3.4 percent, while real incomes for the top one percent rose 188.5 percent.²

We believe strongly that new revenue is essential if we are to meet our obligations to fully fund basic education as mandated by the State Supreme Court's McCleary ruling, estimated to cost at least \$1.3 billion over the next two years. Attempting to fund schools by making even deeper cuts to health and human services, public safety and other key priorities is not a moral or a responsible approach to the problem. We all know that hungry, homeless and unhealthy kids cannot reach their full potential.

Our state faces fiscal challenges beyond the need to fund court-mandated improvements to basic education and maintain existing levels of health care, public safety, education, and other investments that create jobs and help build a strong economy. To retain a competent and dynamic state workforce, policymakers should give state employees — who have gone six years without COLAs — a raise. They must also comply with the state Supreme Court's order to end inhumane "psychiatric boarding" of mentally ill patients in emergency rooms, grapple with huge increases in wildfire costs, and reinvest in higher education. Hundreds of millions of additional dollars beyond what is currently available will be required to fund these obligations.

Given the magnitude of this challenge, we believe a capital gains tax is a critically important measure, both economically and ethically, to help correct our state's course. Enacting a modest tax on capital gains would raise more than \$800 million per year—significant revenue that would go a long way in helping to adequately fund our schools and other public priorities.

Washington is one of only 8 states that do not have a capital gains tax. It would be paid by less than 2 percent of Washingtonians—almost exclusively those of us at the very top of the income scale. It would also bring more balance to our state's upside down tax system, in which low and moderate-income people pay six times more of their income in state and local taxes than the state's wealthiest residents.

We support a tax on capital gains and urge you to join us. We welcome the opportunity to continue this important conversation about the future of our state.

Very Sincerely,

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