

Washington State Tax Structure Study

	Problems Sorted in Descending Order	Part I Average Rank	Part II Number Who Listed Problem
12	Lower income households pay a higher percentage of their income in state and local taxes than do higher income households.	4.0	6
4	The increasing share of services in consumer spending, along with increased opportunities for making purchases out of state, result in taxable retail sales growing more slowly than the economy as a whole over the long run.	3.6	2
11	State and local taxes are more burdensome because the retail sales tax paid by households is not deductible from federal income taxes.	3.6	3
28	Individuals can avoid sales tax by shopping in bordering states with lower sales tax rates or by making remote purchases.	3.6	1
3	It is politically difficult to build and maintain adequate reserve funds during good economic times.	3.5	2
5	Initiatives have impacted long run adequacy.	3.5	1
29	Some Washington firms are able to avoid the B&O tax by shifting their income generating activities (such as manufacturing) to other states.	3.4	0
6	Initiatives and state-imposed reductions in tax bases have impacted local adequacy.	3.2	0
22	To the extent that business taxes are passed on to consumers, business taxes are not transparent.	3.2	0
17	B&O tax pyramiding (at least 2:1) results in non-neutralities between different industries and between vertically integrated and non-integrated firms.	3.1	1
1	Washington's mix of taxes causes revenues to increase more than personal income during good economic times and less than personal income in economic downturns.	2.9	2

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27	Property tax payments for about 11% of households are 6% or more of their personal income. Many of these households are low income working families that have suffered a change in circumstances.	2.8	0
30	Washington's tax system is significantly different than that of "typical" states.	2.8	1
16	There are significant activities that are not subject to taxation such as: Income of individuals Business inventories Intangible assets Rental of real property Agricultural production Investment income of nonfinancial business Food for home consumption	2.7	1
8	B&O tax is a relatively high burden on businesses in their unprofitable years.	2.6	0
20	There is a lot of variation across industries in the effective B&O rate on value-added.	2.6	0
26	There is a lack of uniformity of local B&O tax definitions and inconsistent rules of apportioning local B&O tax.	2.6	0
2	In Washington State, excess revenues generated in good economic times have often resulted in permanent tax cuts. Whereas in some other states with volatile tax systems, excess revenues are distributed as temporary tax cuts.	2.5	0
7	Counties have less taxing capacity than cities and their tax resources are diminishing further due to annexations and property tax limitations.	2.5	0
9	Low profit margin Washington firms tend to suffer a competitive disadvantage because of Washington's taxes compared to their competitors in other states.	2.4	1
21	Since households pay the retail sales tax on numerous purchases throughout the year, they may be unaware of their total annual tax burden.	2.4	1
15	Property tax exemptions cause direct tax shifts to other taxpayers.	2.3	0

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23	Households tend not to like lumpy taxes. Property taxes are lumpy for most households.	2.3	0
10	Business taxes are generally lower in Oregon. Since Washington and Oregon are similar in many ways, lower business taxes could cause businesses to decide to locate in Oregon.	2.2	0
18	Non-neutralities are caused by the fact that a significant fraction of consumer spending is untaxed because certain types of spending, such as spending on food and many consumer services, are not subject to the retail sales tax.	2.2	0
19	For all major industry groups, effective B&O tax rates that include measures of taxation of value-added are much higher than the legal B&O rates.	2.0	0
14	Similar taxpayers pay significantly different taxes because of differences in local taxes.	1.9	0
24	Certain dedicated taxes are relatively costly to administer for both the state and the businesses.	1.8	0
13	New and expanding businesses tend to have higher property tax burdens compared to otherwise similar businesses because they are acquiring property in anticipation of growth.	1.7	0
25	Retailers face significant costs of collecting state and local retail sales tax, for which they are not compensated.	1.6	0