



Washington

#45

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
45	47	15	50	25	44

Washington forgoes an individual income tax on wage income due to constitutional constraints, though the state recently imposed a tax on high earners' capital gains income, a policy that raised constitutional questions but ultimately secured the assent of the state supreme court. The constitution has been similarly interpreted as blocking a corporate income tax, but Washington instead imposes a high multiple-rate gross receipts tax, called the Business & Occupation Tax. Because it is based on gross revenues rather than net income (profits), it yields very high rates of taxation on low-margin businesses and leads to tax pyramiding, where goods and services have the tax embedded several times over, imposed on each transaction within the production process.

The state's sales tax, imposed atop the gross receipts tax, is not just a high rate but is also imposed on a base that includes an unusual share of business inputs, particularly in the digital products space. Washington also levies a progressive real estate transfer tax and the nation's highest-rate estate tax. High UI taxes and an uncompetitive UI tax structure also contribute to the state's poor *Index* ranking despite the state forgoing an individual income tax, which might otherwise be expected to yield a much more competitive tax environment.