



**B R I E F L Y**

Washington taxes business more heavily than other Western states. Business pays 47% of all state and local taxes here, much more than the business share in its western neighbors. Households in Washington have the lightest tax burden of the comparison states.

# Washington Business Taxes Highest in the West

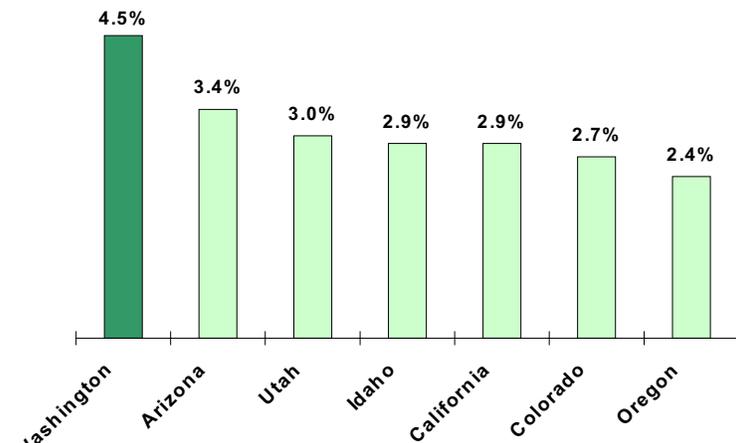
Washington continues to have the highest business taxes in the West, as well as the region's lowest household taxes, according to a study by the Economic and Statistical Unit of the Utah State Tax Commission.

Often ignored in the discussion of tax *level* is the equally important issue of *distribution* of the tax burden. The Utah study provides an important perspective on the issue, critical to the state's economic competitiveness.

The Utah analysts compared seven states: Arizona, California, Colorado, Idaho, Oregon, Utah and Washington. The Western states omitted (Alaska, Hawaii, Montana, Nevada, New Mexico and Wyoming) all rely to a large extent on severance, gambling or tourist taxes, exporting a large share of their business tax burden. Their omission actually strengthens the comparative analysis, which looks at "major" taxes: income, sales, property, insurance, severance, beer, cigarette, liquor, inheritance (estate), tourist sales taxes and unemployment taxes. This grouping accounts for about 90% of Washington's taxes.

According to the Utah economists, taxes paid by Washington businesses account for about 4.4% of gross state product (GSP, the market value of goods and services produced in the state). That's nearly a third greater share than is paid by business in Arizona, the second highest state in the group. The high business tax burden here results from the B&O tax and the fact that Washington businesses pay a large fraction of the sales tax (including, for example, on construction labor, materials, and equipment). The analysts also note that since

**Washington Has Highest Business Taxes as Percentage of GSP Among Western States**



Utah State Tax Commission, 1999

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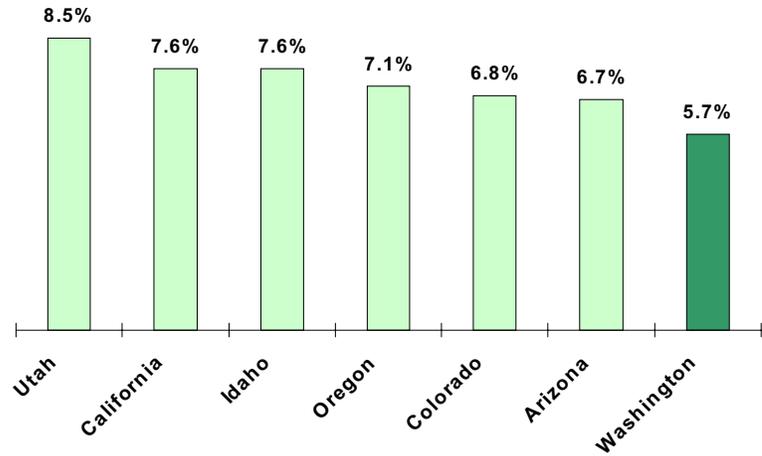


1995-96, taxes on businesses increased from 4.30 percent to 4.47 percent of GSP, an increase that cost them \$288 million.

By contrast, Washington's household tax burden, the lowest in the West, dropped from 5.71 to 5.66 percent of personal income, a decrease of \$74 million. Washington is the only one of the seven states without a personal income tax and exempts food and prescription drug purchases from the sales tax.

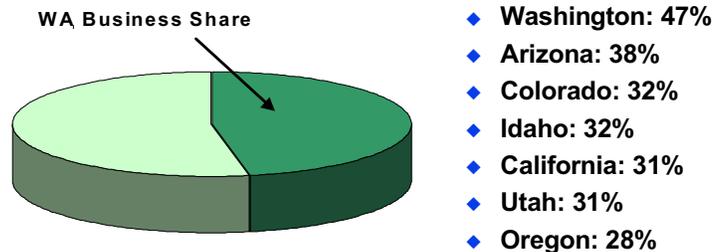
A clear picture of the distribution of tax burden can be seen from the pie chart. Business pays nearly half of all state and local taxes in Washington. Arizona, again the second ranking state, taxes business for about 38 percent of the state and local tax burden, while the other Western states collect less than a third of their taxes from business.

### Washington Has Lowest Household Taxes as Percentage of Personal Income



Utah State Tax Commission, 1999

### Washington Business pays 47% of S/L Taxes - Highest in the West



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