

Washington Businesses Paid 50% of State and Local Taxes in 2024

Briefly

From 2000 to 2024, business and occupation tax collections increased by 269.5%. Businesses also pay sales taxes, property taxes, and many other state and local taxes. A new report from the Council on State Taxation finds that businesses paid 50.0% of all state and local taxes in Washington in fiscal year 2024.

Washington businesses paid \$10,400 in state and local taxes per employee. This was the 11th highest amount among the states, and 20.9% higher than the \$8,600 average paid nationally. Meanwhile, according to the Tax Foundation, Washington's tax competitiveness is the nation's sixth worst.

The business tax burden in Washington is high, even before last year's historically large tax increases are incorporated in the data. Further, Washington's tax structure has become less competitive over the past several years. Washington has many advantages as a state, but the tax burden is increasingly a counterbalance.

In 2025, the Legislature adopted a historically large tax package (WRC 2025). The various provisions of the tax bills take effect at different times, with the earliest effective Jan. 1, 2025. These new taxes will add to an already high business tax burden in Washington.

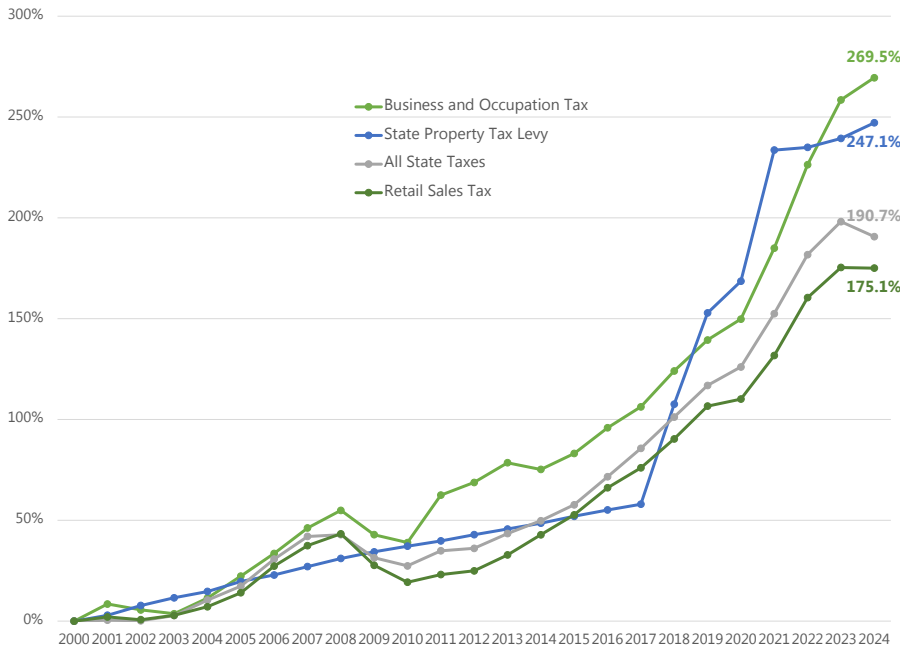
From 2000 to 2024, total state tax collections increased by 190.7%. Business and occupation (B&O) tax collections increased by 269.5% over that period. (See Chart 1 on page 2.) Businesses don't just pay B&O taxes; they also pay sales taxes, property taxes, and many other state and local taxes.

Indeed, in fiscal year 2024, businesses paid 50.0% of all state and local taxes in Washington, according to a new report from the Council on State Taxation (COST). The annual report, prepared by Ernst & Young for COST, compares the taxes paid by businesses in Washington to the taxes paid by businesses

Figure 1: Effective Dates of Major Tax Changes Enacted in 2025

1/1/2025	7/1/2025	10/1/2025	1/1/2026	1/1/2027
<ul style="list-style-type: none"> Capital gains tax rate increase 	<ul style="list-style-type: none"> Estate tax rate increase 	<ul style="list-style-type: none"> New tier for B&O services and other activities rate Extend the sales tax to certain services Financial institutions B&O surcharge increase 	<ul style="list-style-type: none"> Advanced computing B&O surcharge increase Increased taxes on nicotine products Temporary B&O surcharge for high-grossing businesses (through 12/31/2029) 	<ul style="list-style-type: none"> Permanent B&O rate increase

Chart 1: State Tax Growth Since FY 2000



in other states. The most recent report covers FY 2024, so the estimates do not reflect any of the new taxes adopted last year.

In 2024:

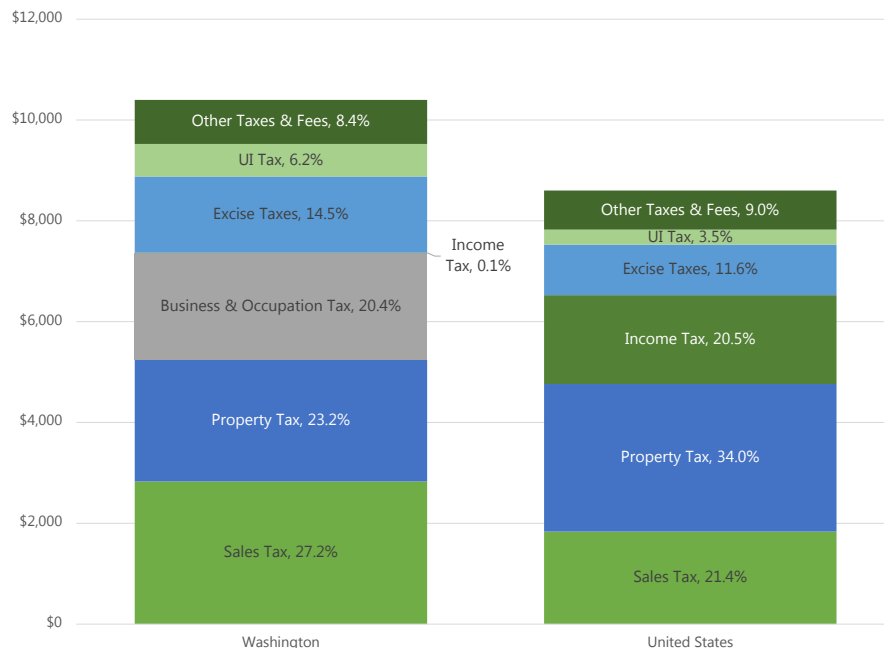
- Washington businesses paid \$10,400 in state and local taxes per employee. This was the 11th highest amount among the states, and 20.9% higher than the \$8,600 average paid nationally.
- Washington businesses paid 50.0% of total state and local taxes. This was the 18th highest share among the states and higher than the national average of 45.8%.

- Total state and local taxes paid by businesses were 4.3% of private sector gross state product in Washington, compared to a national average of 4.5%. Washington ranked 32nd highest by this measure.

The B&O Tax Was the Third Largest Tax Paid by Businesses in Washington

In 2024, Washington businesses paid more in sales and property taxes than they did in B&O taxes. (See Chart 2.)

Chart 2: State and Local Business Taxes Per Employee, FY 2024



Sales taxes were the largest category of state and local business taxes paid in Washington. Sales taxes paid for business purchases in Washington totaled \$8.6 billion in 2024, accounting for 27.2% of state and local taxes paid by businesses (compared to 21.4% nationally).

The next largest category was property taxes. (Nationally, property taxes are the largest category of state and local taxes paid by businesses.) Washington businesses paid \$7.3 billion in property taxes, which was 23.2% of

state and local taxes paid by businesses (compared to 34.0% nationally).

Washington businesses paid \$6.4 billion in B&O taxes, which was 20.4% of state and local taxes paid by businesses. Additionally, the report estimates that 0.1% of state and local taxes paid by businesses in Washington was due to capital gains taxes. Nationally, income taxes (both corporate income taxes and individual income taxes on business income) made up 20.5% of state and local taxes paid by businesses.

Washington businesses paid \$4.6 billion in excise taxes (including public utilities and insurance taxes). These were 14.5% of state and local taxes paid by businesses, compared to 11.6% nationally.

Businesses in Washington paid \$2.0 billion in unemployment insurance (UI) taxes (6.2% of state and local taxes paid by businesses, compared to 3.5% nationally). Finally, license and other taxes paid by businesses in Washington totaled \$2.6 billion (8.4% of state and local taxes paid by businesses, compared to 9.0% nationally).

Washington's Tax Competitiveness is the Nation's Sixth Worst

Meanwhile, the Tax Foundation's 2026 State Tax Competitiveness Index, which reflects state tax systems as of July 1, 2025, ranks Washington 45th (Fritts et al. 2025). (In the Tax Foundation's Index, one is the best rank and 50 is the worst.) This ranking incorporates the increased capital gains and estate tax rates that Washington adopted last year, but it does not yet reflect the impact of the other 2025 tax changes.

The Tax Foundation's Index considers five broad tax categories: individual income taxes (weighted 31.8%); sales and excise taxes (weighted 21.2%); corporate taxes (weighted 21.1%); property and wealth taxes (weighted 14.5%); and UI taxes (weighted 11.4%). Property tax is the best component for Washington; sales tax and UI tax are the worst.

- **Property tax:** Washington ranks 25th. In addition to Washington's regular property tax, we have an estate tax (and the nation's highest estate tax rate) and a real estate transfer tax. On the other hand, our 101% growth limit is considered a positive factor in the Index.
- **Individual income tax:** Washington ranks 31st. Although Washington does not have a general individual income tax, the capital gains tax rate is high. Another negative factor is Washington's taxation of S corporation and LLC income through the B&O tax.
- **Corporate tax:** Washington ranks 47th. While Washington's B&O rates are lower than typical state corporate income tax rates, the B&O does not offer full deductions for the cost of goods sold or for employee compensation.
- **UI tax:** Washington ranks 49th. Washington has the nation's highest taxable wage base and a social cost factor tax.
- **Sales tax:** Washington ranks 49th. Washington scores poorly because of its fourth-highest in the nation combined state and local sales tax rate, a sales tax base that includes many business inputs and excludes many consumer goods and services, and high excise tax rates. The Tax Foundation notes that Washington will be penalized for the digital advertising tax (which was adopted last year) in the 2027 edition of the Index.

Comment

The business tax burden in Washington is high, even before the taxes adopted last year are incorporated in the data. Washington businesses paid 20.9% more in taxes per employee than the national average in 2024.

Further, Washington's tax structure has become less competitive over the past several years. Washington dropped from 33rd overall on the Tax Foundation's Index in 2020 to 45th in 2026. And, as the Tax Foundation notes, the taxes adopted last year will negatively affect Washington's rank in the future (Fritts et al. 2025).

Washington has many advantages as a state, but the tax burden is a counterbalance. Consequently, as the tax burden increases, it could cause some individuals and businesses to move out of state or to shift employment to other states. It could also result in fewer businesses starting in Washington in the first place.

References

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Fritts, Janelle, Jared Walczak, Abir Mandal, and Katherine Loughhead. 2025. "[2026 State Tax Competitive-ness Index](#)." Oct. 30.

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