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July 23, 2026

The Honorable Steve Hobbs
ATTN: Stuart Holmes
PO Box 40229
Olympia, WA 98504-0229

Re: Ballot Title and Explanatory Statement for Initiative IP26-645

Dear Secretary Hobbs:

In accordance with RCW 29A.32.040 and RCW 29A.32.070, we supply herewith the Ballot Title and Explanatory Statement for Initiative IL26-645. The ballot title for Initiative IL26-645 was previously established, and is repeated here solely for convenience of reference.

BALLOT TITLE

Statement of Subject: Initiative Measure No. IP26-645 concerns state and local taxes.

Concise Description: This measure would repeal a 9.9% tax on annual individual income over \$1,000,000; prohibit taxes measured by individual income and taxes on individual income or the receipt of individual income; and define “income.”

Should this measure be enacted into law? Yes [] No []

The Law As It Presently Exists

The State of Washington imposes various taxes to raise revenue to fund state government. Those taxes include the retail sales tax, the business and occupation tax, the state property tax, the capital gains tax, and other state taxes. In 2026, the Legislature passed a law imposing a 9.9 percent tax on an individual’s receipt of income over \$1,000,000, beginning in calendar year 2028. Beginning in 2029, the \$1,000,000 standard deduction is increased to account for inflation.

ATTORNEY GENERAL OF WASHINGTON

July 23, 2026

Page 2

The amount of income subject to tax is based on adjusted gross income reported on federal income tax returns, with some modifications.

In addition to the \$1,000,000 standard deduction, taxpayers may deduct up to \$100,000 for charitable contributions. The \$1,000,000 standard deduction and the possible \$100,000 deduction for charitable contributions apply per household, so a married couple or domestic partnership shares a single \$1,000,000 deduction and up to \$100,000 for charitable contributions. Additional deductions are available for certain specific situations. Certain expenses related to pass-through entities that are deducted for federal tax purposes are added to the amount subject to Washington's tax.

The law also allows certain tax credits, which lower the amount of taxes due. These credits are available for income tax paid to another state; amounts paid under Washington's capital gains tax; and taxes owed for business and occupation taxes or public utility taxes paid on the same income subject to this tax.

Nonresidents of Washington are only subject to this tax based on income derived from sources within Washington. Income that they earn from other sources is not counted.

Five percent of the money collected from this tax is deposited into an account that can only be used for childcare and early learning purposes. The remaining 95 percent of money collected from the tax and any interest and penalties is deposited into the state's general fund.

The 2026 law enacting the tax on income above \$1,000,000 also enacted or expanded various tax exemptions, deductions, and credits. It expanded eligibility for a sales tax credit for low-income persons; it exempted from sales tax the sale of diapers, over-the-counter drugs, and grooming and hygiene products; it increased a small-business tax credit; it increased the minimum threshold for filing business and occupation taxes; it removed a business and occupation surcharge on high grossing businesses for health care providers, hospitals, and prescription drug resellers; and it made other changes relating to software, digital services, and data processing, and live presentations.

The Effect of the Proposed Measure if Approved

If approved, the proposed measure would repeal the annual tax on individual income over \$1,000,000. This would also eliminate the funding collected from the tax that would go to the general fund (which funds public K-12 education, higher education such as universities and community colleges, health care, and other human services) and childcare and early learning. The non-income tax credits, exemptions, and deductions that accompanied this tax would not be repealed and would remain in place.

ATTORNEY GENERAL OF WASHINGTON

July 23, 2026

Page 3

The measure would also prohibit state and local governments from imposing taxes on individual income or the receipt of individual income and taxes measured by an individual's income. The only tax explicitly listed and repealed by the measure is the tax on income over \$1,000,000.

The measure would also provide definitions for some terms used in the measure. It would define "income" for purposes of excise taxes as "any gain or benefit measured in money derived from an individual's capital, labor, property, or other source." It would define "individual" for purposes of excise taxes as "a natural person."

Sincerely,

s/Peter B. Gonick
PETER B. GONICK
Deputy Solicitor General
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