

Operating Budget Revenue

Provision	2025-27	Total 4-Year																											
Capital Gains & Estate Tax - SB 5813 <ul style="list-style-type: none"> Applies an additional 2.9% excise tax on an individual's Washington capital gains exceeding \$1m (current rate is 7% making the total 9.9%); 7% rate is maintained for capital gains between \$250,000 and \$1 million. Increases the estate exclusion amount to \$3m (current exclusion is \$2.193m) and then increases annually with the Seattle CPI. Increases the tax rates for Washington taxable estates of descendants dying on or after July 1, 2025: <table border="1"> <thead> <tr> <th>Washington Taxable Estate Value</th><th>Current Rate</th><th>New Rate</th></tr> </thead> <tbody> <tr> <td>\$0 to \$1,000,000</td><td>10%</td><td>10%</td></tr> <tr> <td>\$1,000,000 to \$2,000,000</td><td>14%</td><td>15%</td></tr> <tr> <td>\$2,000,000 to \$3,000,000</td><td>15%</td><td>17%</td></tr> <tr> <td>\$3,000,000 to \$4,000,000</td><td>16%</td><td>19%</td></tr> <tr> <td>\$4,000,000 to \$6,000,000</td><td>18%</td><td>23%</td></tr> <tr> <td>\$6,000,000 to \$7,000,000</td><td>19%</td><td>26%</td></tr> <tr> <td>\$7,000,000 to \$9,000,000</td><td>19.5%</td><td>30%</td></tr> <tr> <td>\$9,000,000 and up</td><td>20%</td><td>35%</td></tr> </tbody> </table>	Washington Taxable Estate Value	Current Rate	New Rate	\$0 to \$1,000,000	10%	10%	\$1,000,000 to \$2,000,000	14%	15%	\$2,000,000 to \$3,000,000	15%	17%	\$3,000,000 to \$4,000,000	16%	19%	\$4,000,000 to \$6,000,000	18%	23%	\$6,000,000 to \$7,000,000	19%	26%	\$7,000,000 to \$9,000,000	19.5%	30%	\$9,000,000 and up	20%	35%	\$321.6 million	\$635.5 million
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<ul style="list-style-type: none"> Qualified Family-Owned Business Interest may be deducted from the taxable value of an estate if the deduction is less than \$2.5 million, the business interest exceeds 50% of the decedent's estate, the heir must continue the business for three years from the date of death. 		
<p>B&O Increases, Advanced Computing Surcharge Cap - HB 2081</p> <ul style="list-style-type: none"> B&O on businesses with a gross income over \$5 million is increased to 2.1 percent beginning October 1, 2025. B&O on businesses in the following categories is increased to .5% (currently these categories have a variety of rates between .471% and .484%): manufacturing, extracting, wholesaling, retailing, radioactive waste cleanup, retail of digital goods, research and development by nonprofits, insurance agents, childcare, treatment of chemical dependency, salmon canners, commercial airplanes or components of airplanes or tooling used in airplane manufacturing, printing materials and publishing of periodicals and magazines other than newspapers, highway and government contractors, cold storage warehousing, and radio and television broadcasting. B&O increase to 1.8 percent for contests of chance. B&O tax of .5% on businesses with at least \$250 million in Washington taxable income; the tax is only on income in excess of \$250 million and is in addition to other B&O taxes paid. Exempted: income related to manufacturing activities, the sale of food, food stamp purchases, prescription drugs, petroleum products, fuel, timber, and timber products. Farmers and financial institutions are exempt. Taxpayers who pay an advanced computing charge (below) are exempt. B&O tax on financial institutions is increased to 1.5%. Under current law, advanced computing businesses with a worldwide revenue in excess of \$25 billion are subject to a 1.22% advanced computing surcharge, and the total amount is capped at \$9 million per year per taxpayer. The tax is increased to 7.5% and the amount per taxpayer is capped at \$75 million per year per taxpayer. By FY 2028, the number of enrollments in computer science in 4-year state universities must increase. 	\$2.066 billion	\$5.622 billion
<p>Excise Tax on Zero-Emission Vehicle (ZEV) Credits HB 2077</p> <ul style="list-style-type: none"> <i>Background:</i> Consistent with the Federal Clean Air Act (CAA), Washington has adopted California's emission standards for new motor vehicles. Manufacturers are required to sell a specified percentage of vehicles that are ZEV or obtain credits equal to that percentage (e.g. 22% in 2025; 	\$54.5 million	\$54.5 million

<p>35% in 2026; 43% in 2027). Manufacturers can trade credits with other manufacturers and can “bank” credits for up to 4 years for use in a future year and can be transferred to another state that has adopted California’s emission standards.</p> <ul style="list-style-type: none"> • 2% excise tax is imposed on ZEV credits sold from one manufacturer to another. • 10% excise tax is imposed on ZEV credits once carried over by a manufacturer to be used in a future model year • Exemptions: Credits transferred to other states are not taxed. Manufacturers with credits under 25,000 for a specific model year. 		
<p>Retail Sales on Services, Nicotine, and Pre-Payment - SB 5814</p> <ul style="list-style-type: none"> • The following services are classified as “retail” and subject to retail sales and use tax <i>and</i> retailing B&O tax. <ul style="list-style-type: none"> ○ Investigation, security services, security monitoring services, and armored car services, including background checks, security guard and patrol services, personal and event security, armored car transportation of cash and valuables, and security system services and monitoring. This does not include locksmith services. ○ Temporary staffing services (excludes hospitals) ○ Custom software and customization of prewritten computer software ○ Imposes a sales tax on digital automated services, which is any service that primarily involves the application of human effort by the seller, and the human effort originated after the customer requested the service; excludes telehealth and telemedicine services. • Imposes a 3% B&O tax on gross income derived from advertising, which excludes web hosting services and services rendered in respect to printing, publishing, radio, and television. • Imposes a 3% B&O tax on gross income derived from high technology services (IT consulting, custom website development, IT training services and technical support). • Expands the definition of nicotine products to include products that contain nicotine, whether derived from tobacco or created synthetically, and subjects them to the "other tobacco products" tax 	\$1.46 billion	\$2.993 billion

<ul style="list-style-type: none"> Requires taxpayers who file a monthly combined excise tax return with \$3m or more taxable retail sales during the 2026 calendar year to make a one-time prepayment of state sales tax, which must be paid June 25, 2027. 		
Repealing Tax Preferences – SB 5794 <ul style="list-style-type: none"> A B&O tax (.5%) and retail sales tax (6.5% + local sales tax) are imposed on the sale of precious metals (gold, silver, platinum, rhodium, and palladium) and bullion. A B&O tax is imposed on the gross receipts from the rental or lease of individual self-service storage space at self-storage facilities; 1.5% for businesses with a taxable income of less than \$1 million and 1.75% for businesses with a taxable income over \$1 million. 	\$148.5 million	\$236.7 million
Estimated Totals	\$3.854 billion	\$9.54 billion

Additional Revenue-Generating Policy Adopted by the Legislature

Marriage License Fee/Domestic Violence Support – HB 1498 <ul style="list-style-type: none"> Imposes a new \$100 fee on marriage licenses
Discover Pass Increase – SB 5390 <ul style="list-style-type: none"> Increases the cost of a Discover Pass from \$30 to \$45.
Mortgage Fee – SB 5686 <ul style="list-style-type: none"> Imposes an \$80 fee for each residential mortgage loan originated, with the exception of reverse mortgage loans issued to seniors over 61.
Public Safety Sales Tax – HB 2015 <ul style="list-style-type: none"> Authorizes cities and counties to each impose a .01 sales tax increase to fund public safety.
School Enrichment Levies – HB 2049

- *Background:* Schools are funded through state funding and local property tax levies. Local enrichment levies are voter-approved property tax increases to fund elements beyond basic education. The levy is capped at the lesser of \$2.50/\$1,000 AV or a per student amount (depending on school size is either \$3,149.60 or \$3,779.62). The per student amount increases by the Seattle CPI each year. It is that amount that this bill increases, thereby allowing larger local enrichment property tax levies until 2031.
- The bill increases the per student amount to be the Seattle CPI plus \$500 in 2026. For smaller school districts, the increase in 2027-2030 is 3.3 percent above the Seattle CPI. In 2031, all school districts have a maximum per student limit of \$5,035.
- The bill creates a work group and report back on changes to school funding formulas. If state funding does not increase to fund education at a similar pace, schools will be increasingly funded with local levies.

Transportation Budget Revenue

Provision & Summary	6-Year Total	Implementation Date
Fuel-Related		
<u>Increases Fuel Tax & Establishes Indexing</u> <ul style="list-style-type: none"> • Imposes a 6 cent increase to the current 49.4 cent rate in fiscal year (FY) 2026. • The entire higher rate is inflated by 2% each year starting in FY 2027. • Of the increased amounts, 2.5% is distributed to cities and 2.5% is distributed to counties. 	\$1.448 billion	July 1, 2025
<u>Increases Diesel Differential Tax Rate</u> <ul style="list-style-type: none"> • Imposes a 3 cent increase to the Special Fuel Tax rate above the gasoline rate in FY 2026, and another 3 cent increase in FY 2028. • The 6 cent increase is inflated by 2% each year starting in FY 2029. • Of the increased amounts, 2.5% is distributed to cities and 2.5% is distributed to counties 	\$166 million	July 1, 2025
Fees Due at the Time of Vehicle Registration		
<u>Increases Truck Weight Fees</u> <ul style="list-style-type: none"> • Sets gross weight fees at \$30 per ton, up to 40,000 lbs for schedule B trucks and 52,000 lbs for schedule A trucks, including the freight project fee and additional fee in the calculation. 	\$317 million	January 1, 2026

<ul style="list-style-type: none"> Gross weight fees are inflated by 2% each year starting in FY 2027. 																	
<u>Increases Passenger Weight Fees</u> <ul style="list-style-type: none"> Increases the passenger weight fee for heavier vehicles as follows: <table border="1"> <thead> <tr> <th>Weight</th><th>Current Fee</th><th>New Fee</th></tr> </thead> <tbody> <tr> <td>0 – 4,000 lbs</td><td>\$35</td><td>\$35</td></tr> <tr> <td>4,001 – 6,000 lbs</td><td>\$55</td><td>\$75</td></tr> <tr> <td>6,001 – 8,000 lbs</td><td>\$75</td><td>\$90</td></tr> <tr> <td>8,001 and over</td><td>\$82</td><td>\$110</td></tr> </tbody> </table>	Weight	Current Fee	New Fee	0 – 4,000 lbs	\$35	\$35	4,001 – 6,000 lbs	\$55	\$75	6,001 – 8,000 lbs	\$75	\$90	8,001 and over	\$82	\$110	\$317 million	Half of the increase occurs January 1, 2026 The second half of the increase occurs January 1, 2029
Weight	Current Fee	New Fee															
0 – 4,000 lbs	\$35	\$35															
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8,001 and over	\$82	\$110															
<u>Increases Filing Fees</u> <ul style="list-style-type: none"> Increases the \$4.50 registration filing fee to \$6 and the \$5.50 title filing fee to \$6.50. The majority of the funds (\$89 million) from the fee increases is retained by counties, but \$5 million is to be deposited into the Highway Safety Account 	\$5 million	January 1, 2026															
<u>Increase Abandoned Recreational Vehicle Fee</u> <ul style="list-style-type: none"> Increases the fee from \$6 to \$8 and changes the administrative allocation up to 10% 	\$3 million	January 1, 2026															
Sales and Use Taxes																	
<u>Increases Motor Vehicle Sales and Use Taxes</u> <ul style="list-style-type: none"> Increases the additional sales tax assessment on motor vehicles from 0.3% to 0.5% 	\$257 million	January 1, 2026															
<u>Increases Rental Car Tax & Establishes Corporate Peer to Peer Car Sharing</u> <ul style="list-style-type: none"> The 5.9% additional rental car tax is increased to \$11.9% on January 1, 2026 and then adjusted down to 9.9% on January 1, 2027 These rates are applied to peer-to-peer car transaction involving a vehicle exempted from retail sales or use tax. True peer-to-peer transactions involving personal car sharing by individuals would not be subject to taxation. 	\$205 million	Rental Car Tax: January 1, 2026 Peer-to-Peer Car Transaction: January 1, 2027															
<u>Establishes a Recreational Vessels Tax</u> <ul style="list-style-type: none"> Imposes a 0.5% sales and use tax on recreational vehicles 	\$7 million	July 1, 2026															
<u>Establishes Luxury Vehicle Tax</u>	\$202 million	January 1, 2026															

<ul style="list-style-type: none"> Imposes a luxury tax of 8% on a portion of the retail sale, lease or transfer of a vehicle. Applies to the portion of the selling price or value that exceeds \$100,000. The deduction of \$100,000 is increased by 2% per year. This does not apply to motor vehicles that have a gross weight fee rating above 10,000 lbs other than motor homes. Commercial motor vehicles are also exempt. There is no exception for the value of a trade-in vehicle. 		
<u>Establishes a Luxury Aircraft Tax</u> <ul style="list-style-type: none"> Imposes a 10% luxury tax on a portion of the retail sale, lease, or transfer of an aircraft. Applies to the portion of the selling price or value that exceeds \$500,000 of a non-commercial aircraft. There is no exception for the value of a trade-in aircraft. 	\$21 million	April 1, 2026
Other Taxes and Fees		
<u>Increases Tire Disposal Fees</u> <ul style="list-style-type: none"> Increases the existing \$1 tire replacement fee to \$5. Increase the amount retained by the retailer to 25 cents 	\$117 million	January 1, 2026
<u>Establishes a WSDOT Work Zone Violation Fee</u> <ul style="list-style-type: none"> <i>Background:</i> WSDOT is beginning implementation of a speed safety camera work zone pilot program that ends in FY 2030, unless extended. Current policy provides a \$0 fine for the 1st offense. First offense fines are increased to \$125 until the pilot program concludes. 	\$138 million	July 1, 2026
<u>Increases fees for Standard Driver's License and Identicards</u> <ul style="list-style-type: none"> Increases the current \$9 per year fee for driver's licenses and identicards to \$10 per year in FY 2026. The per-year fee amounts are increased to \$1 per year every three years in the future to approximate inflation. 	\$74 million	October 1, 2025
<u>Removes Toll Exemption for Transit and Ride Share Vehicles</u>	\$6 million	October 1, 2025

<ul style="list-style-type: none"> • Directs the Transportation Commission to remove current toll exemptions for public and private transit buses, vans and rideshare vehicles on bridges. Public and private school buses may be exempted. • Anticipated to primarily apply to the Tacoma Narrows Bridge and the 520 bridge. 		
Washington State Ferries (WSF) Specific Increases		
<u>Increases Capital Vessel Surcharge</u> <ul style="list-style-type: none"> • Increases the current 50 cent fee to \$1 in October 2025. • Requires an additional 10 cent increase in October 2027 and an additional 10 cent increase in October 2029. 	\$47 million	October 1, 2025
<u>Imposes a Credit Card Surcharge on Riders</u> <ul style="list-style-type: none"> • Imposes a rider surcharge to cover credit card transactions currently paid by Washington State Ferries. 	\$24 million	March 1, 2026
Total Revenue Raised over 6 years	\$3.208 billion	