

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|-------------------------------------|
| Bill Number: 5797 SB | Title: Intangible assets tax |
|-----------------------------|-------------------------------------|

Estimated Cash Receipts

| Agency Name | 2025-27 | | | 2027-29 | | | 2029-31 | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total |
| Department of Revenue | 4,116,000,000 | 4,116,000,000 | 4,116,000,000 | 8,116,000,000 | 8,116,000,000 | 8,116,000,000 | 7,910,000,000 | 7,910,000,000 | 7,910,000,000 |
| Total \$ | 4,116,000,000 | 4,116,000,000 | 4,116,000,000 | 8,116,000,000 | 8,116,000,000 | 8,116,000,000 | 7,910,000,000 | 7,910,000,000 | 7,910,000,000 |

| Agency Name | 2025-27 | | 2027-29 | | 2029-31 | |
|---------------------|------------------|-------|-----------|-------|-----------|-------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Local Gov. Courts | | | | | | |
| Loc School dist-SPI | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | |
| Local Gov. Total | | | | | | |

Estimated Operating Expenditures

| Agency Name | 2025-27 | | | | 2027-29 | | | | 2029-31 | | | |
|-----------------------|-------------|-------------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------------|
| | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total |
| Department of Revenue | 47.6 | 29,440,300 | 29,440,300 | 29,440,300 | 56.7 | 24,275,300 | 24,275,300 | 24,275,300 | 53.4 | 22,912,200 | 22,912,200 | 22,912,200 |
| Total \$ | 47.6 | 29,440,300 | 29,440,300 | 29,440,300 | 56.7 | 24,275,300 | 24,275,300 | 24,275,300 | 53.4 | 22,912,200 | 22,912,200 | 22,912,200 |

| Agency Name | 2025-27 | | | 2027-29 | | | 2029-31 | | |
|---------------------|------------------|----------|-------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Local Gov. Courts | | | | | | | | | |
| Loc School dist-SPI | | | | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Expenditures

| Agency Name | 2025-27 | | | 2027-29 | | | 2029-31 | | |
|-----------------------|------------|----------|----------|------------|----------|----------|------------|----------|----------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Department of Revenue | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total \$ | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 |

| Agency Name | 2025-27 | | | 2027-29 | | | 2029-31 | | |
|---------------------|------------------|----------|-------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Local Gov. Courts | | | | | | | | | |
| Loc School dist-SPI | | | | | | | | | |
| Local Gov. Other | No fiscal impact | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Breakout

| | | |
|--------------------------------------|---------------------------------|-------------------------------------------|
| Prepared by: Gwen Stamey, OFM | Phone: (360) 790-1166 | Date Published: Final 4/ 3/2025 |
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Department of Revenue Fiscal Note

| | | |
|-----------------------------|-------------------------------------|------------------------------------------|
| Bill Number: 5797 SB | Title: Intangible assets tax | Agency: 140-Department of Revenue |
|-----------------------------|-------------------------------------|------------------------------------------|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

| Account | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|-----------------------------|---------|---------------|---------------|---------------|---------------|
| GF-STATE-State 00 - 00 - | | 4,116,000,000 | 4,116,000,000 | 8,116,000,000 | 7,910,000,000 |
| Total \$ | | 4,116,000,000 | 4,116,000,000 | 8,116,000,000 | 7,910,000,000 |

Estimated Expenditures from:

| | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|----------------------|------------|------------|------------|------------|------------|
| FTE Staff Years | 36.7 | 58.6 | 47.6 | 56.7 | 53.4 |
| Account | | | | | |
| GF-STATE-State 001-1 | 11,637,000 | 17,803,300 | 29,440,300 | 24,275,300 | 22,912,200 |
| Total \$ | 11,637,000 | 17,803,300 | 29,440,300 | 24,275,300 | 22,912,200 |

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

| | | |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Jeffrey Mitchell | Phone: (360) 786-7438 | Date: 03/20/2025 |
| Agency Preparation: Joe Lee | Phone: (360) 534-1528 | Date: 03/24/2025 |
| Agency Approval: Valerie Torres | Phone: (360) 534-1521 | Date: 03/24/2025 |
| OFM Review: Gwen Stamey | Phone: (360) 790-1166 | Date: 03/26/2025 |

Request # 5797-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

Washington does not currently tax financial intangible assets.

PROPOSAL:

Beginning January 1, 2026, this bill imposes an intangible asset tax on each Washington resident. The tax equals \$10 per \$1,000 of the true and fair value of a resident's taxable worldwide intangible assets on December 31 of the tax year.

The Department of Revenue (department) will collect this new tax.

Taxable financial intangible assets include:

- Publicly traded bonds
- Exchange traded funds
- Mutual funds
- Publicly traded stocks

This bill exempts all of a Washington resident's intangible assets if the Washington resident owns less than \$50 million in publicly traded bonds, exchange traded funds, mutual funds, and publicly traded stocks. If a Washington resident owns \$50 million or more in these assets, then all such assets are taxable unless another exemption applies such as the exemption for assets subject to a similar tax.

Exempt financial intangible assets include:

- Cash and cash equivalents
- Publicly traded options
- Annuities
- Futures contracts
- Commodities contracts
- Put and call options
- Certificates of interest in gold and other precious metals or gems
- Units of ownership in a subchapter K entity
- Units of ownership and stock in a subchapter S entity
- Other financial intangible assets that are not publicly traded bonds, exchange traded funds, mutual funds, or publicly traded stocks
- Retirement accounts such as a pension, 401(k), 403(b), individual retirement arrangement (IRA), or similar asset
- Nonfinancial intangible assets
- Notes of debt from the United States
- Notes of debt from Washington state
- Stock of the federal reserve
- Stock from government national mortgage associations, government federal mortgage associations, or other corporations and associations established by acts of the Congress of the United States
- Tuition savings account or similar education related account
- Worldwide intangible assets of artificial persons, however this exemption does not affect the computation of the true and fair value of a natural person's worldwide intangible assets.

Individuals filing joint returns must meet all the following conditions to qualify for innocent spouse relief:

- The financial intangible tax applies to the individual in the same taxable year.
- The non-petitioning current or former spouse, or state-registered domestic partner, erroneously reported assets, causing the understatement of tax due on a joint filing.
- The individual seeking relief establishes that he or she did not know, and had no reason to know, that there was such an understatement.
- The individual seeking relief liable for the deficiency in tax for such taxable year attributable to such understatement is manifestly inequitable.

Penalties will result from the understatement of asset valuations and will be added to the tax due.

- Substantial intangible assets tax valuation understatement of gross misstatement results in 50% of the portion of the underpayment due to the valuation understatement in all other cases 30% for understatement of valuation.
- Substantial understatements means five thousand dollars or more in lower valuations.
- Gross intangible assets tax valuations misstatements mean the true and fair value of any intangible assets reported on a return is less than or equal to 40% of the correct amount.
- Substantial intangible assets tax valuation understatement means the correct amount of the true and fair value of intangible assets determines whether the reported value on a return constitutes a substantial intangible assets tax valuation understatement if it is 65% or less of the correct amount.

If a taxpayer fails to file a return by the due date, the department must assess a penalty of 5% of the tax due for the tax year covered by the delinquent return for each month or portion of a month the return remains unfiled up to a maximum of 25%. This amount is in addition to any penalties assessed for the late payment of any tax due on the return. The department must waive the penalty for failing to file:

- If the department is persuaded that the failure to file was due to circumstances beyond the taxpayer's control.
- If the taxpayer has not been delinquent in filing any return for this tax during the preceding 5 calendar years.

Financial intangible assets are exempt from this tax if they are subject to a similar tax imposed in the same year.

- If Washington is not the domicile of the taxpayer for a greater amount of time than another state the exemption does not apply.
- Similar taxes do not include estate tax, inheritance tax, gift tax, net income tax, business activity tax including a gross earnings tax or gross receipts tax, activity tax, or other tax similar to the aforementioned taxes.

EFFECTIVE DATE:

This bill takes effect on January 1, 2026, with the first returns due in April of 2027.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- Asset value is as of December 31 of the tax year.
- No taxpayers sell or dispose of their financial intangible assets.
- This estimate adjusts potential revenue collections to reflect behavioral responses, including tax planning and taxpayer mobility, tax enforcement, and taxpayer reporting compliance.
- The distribution of wealth among taxpayers subject to the wealth tax is heavily skewed toward the top. For the top 1% of taxpayers, a revenue collection rate of 10% is applied.
- For the remaining 99% of taxpayers, the combined revenue collection rates are:
 - 48% in fiscal year 2026.
 - 51% in fiscal year 2027.
 - 48% in fiscal year 2028.
 - 45% in fiscal year 2029 and after.

- No taxpayers subject to the financial intangible assets tax die during the tax year and no new taxpayers become subject to the tax.
- The tax paid for a calendar year is subtracted from taxpayers' taxable financial intangible assets in the subsequent year.
- The new source of tax revenue is from the financial intangible assets.
- This estimate assumes that collection of the tax would not be delayed during the course of any legal challenges and that the tax would ultimately survive any legal challenges.
- The analysis evaluates financial intangible assets at the tax-unit level and assumes all spouses and domestic partners file a joint return.
- The estimate does not include financial intangible assets that produce interest income. Interest income may include assets not included in this proposal.
- This new tax is deposited into the General Fund.

DATA SOURCES:

- Internal Revenue Service, Personal income tax returns, federal tax year 2021
- Economic and Revenue Forecast Council, November 2024 forecast
- Saez, E., & Zucman, G. (2019). Progressive Wealth Taxation. Brookings Papers on Economic Activity 2019(2), 437-533. doi:10.1353/eca.2019.0017
- Smith, M., Zidar, O. M., & Zwick, E. (2021). Top Wealth in America: New Estimates and Implications for Taxing the Rich. National Bureau of Economic Research, <https://www.nber.org/papers/w29374>
- Smith, M., Zidar, O. M., & Zwick, E. (2022). Top Wealth in America: New Estimates Under Heterogeneous Returns. Quarterly Journal of Economics, 138(1): 515–573.
- Advani, A., & Tarrant, H. (2021). Behavioral Responses to a Wealth Tax. Fiscal Studies. DOI:10.1111/1475-5890.12283

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$4.116 billion in fiscal year 2027, the first full year of impacted collection

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

| | |
|-----------|--------------|
| FY 2026 - | \$ 0 |
| FY 2027 - | \$ 4,116,000 |
| FY 2028 - | \$ 4,124,000 |
| FY 2029 - | \$ 3,992,000 |
| FY 2030 - | \$ 3,917,000 |
| FY 2031 - | \$ 3,993,000 |

Local Government (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This proposal affects 4,300 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$11,637,000 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 36.68 FTEs.
- Set up, program, and test computer system changes.

- Gather requirements, attend implementation meetings, and document and test system changes.
- Provide technical advice, interpretation, and analysis of new laws for internal use during implementation.
- Update scanning systems.
- Create a special notice and update relevant information on the department's website.
- Additional stakeholder work and implementation coordination during the startup process.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Adopt six new administrative rules.
- Amend two administrative rules.
- Assist in the rule-making process and evaluation of review requests.

Object Costs - \$6,356,400.

- Computer system changes, including contract programming.
- Security monitoring.
- New software and hardware.
- Specialized training.
- Printing and postage of correspondence.

SECOND YEAR COSTS:

The department will incur total costs of \$17,803,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 58.6 FTEs.

- Continued computer system testing, monitoring, and maintenance.
 - Accounting activities for the new tax; compiling receivable information for statewide financial statements and stakeholders.
- Additional stakeholder work and implementation coordination during the startup process.
- Provide technical advice, interpretation, and analysis of new laws for internal use during implementation.
- Provide administrative support.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.
 - Investigate, assess, and collect additional taxes.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.
- Assist in the rulemaking process and evaluate review requests.
- Continued work on six new administrative rules.

Object Costs - \$9,841,200.

- Contract computer system programming.

- Security monitoring.
- Software, hardware, and subscription services.
- Training and travel.
- Printing and postage of correspondence.
- Work with media vendor for outreach media materials and campaign.
- Attorney General Office.

THIRD YEAR COSTS:

The department will incur total costs of \$12,532,700 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 56.7 FTEs.

- Continued computer system testing, monitoring, and maintenance.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Policy guidance to assist operating divisions with implementation and ongoing administration.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Investigate, assess, and collect additional taxes.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$5,081,800.

- Contract computer system programming.
- Software, hardware, and subscription services.
- Security monitoring.
- Specialized training.
- Printing and postage of correspondence.
- Attorney General Office.

FOURTH YEAR COSTS:

The department will incur total costs of \$11,742,600 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 56.7 FTEs.

- Continued computer system testing, monitoring, and maintenance.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Policy guidance to assist operating divisions with implementation and ongoing administration.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Investigate, assess, and collect additional taxes.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a

refund request, or tax ruling.

Object Costs - \$4,309,800.

- Contract computer system programming.
- Software, hardware, and subscription services.
- Security monitoring.
- Specialized training.
- Printing and postage of correspondence.
- Attorney General Office.

FIFTH YEAR COSTS:

The department will incur total costs of \$11,527,900 in fiscal year 2030. These costs include:

Labor Costs – Time and effort equate to 54.0 FTEs.

- Continued computer system testing, monitoring, and maintenance.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Policy guidance to assist operating divisions with implementation and ongoing administration.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Investigate, assess, and collect additional taxes.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$4,512,800.

- Contract computer system programming.
- Software and subscription services.
- Security monitoring.
- Specialized training.
- Printing and postage of correspondence.
- Attorney General Office.

SIXTH YEAR COSTS:

The department will incur total costs of \$11,384,300 in fiscal year 2031. These costs include:

Labor Costs – Time and effort equate to 52.8 FTEs.

- Continued computer system testing, monitoring, and maintenance.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Policy guidance to assist operating divisions with implementation and ongoing administration.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.

- Investigate, assess, and collect additional taxes.
- Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$4,588,100.

- Contract computer system programming.
- Software and subscription services.
- Security monitoring.
- Specialized training.
- Printing and postage of correspondence.
- Attorney General Office.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| FTE Staff Years | 36.7 | 58.6 | 47.6 | 56.7 | 53.4 |
| A-Salaries and Wages | 3,347,200 | 5,065,900 | 8,413,100 | 9,516,900 | 8,816,000 |
| B-Employee Benefits | 1,205,100 | 1,823,800 | 3,028,900 | 3,426,500 | 3,174,000 |
| C-Professional Service Contracts | 6,080,000 | 8,290,000 | 14,370,000 | 6,100,000 | 5,520,300 |
| E-Goods and Other Services | 712,300 | 2,304,700 | 3,017,000 | 4,843,300 | 5,071,100 |
| G-Travel | 28,700 | 118,200 | 146,900 | 123,600 | 123,600 |
| J-Capital Outlays | 263,700 | 200,700 | 464,400 | 265,000 | 207,200 |
| Total \$ | \$11,637,000 | \$17,803,300 | \$29,440,300 | \$24,275,300 | \$22,912,200 |

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

| Job Classification | Salary | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| ADM ASST 3 | 47,988 | | 0.2 | 0.1 | 0.2 | 0.2 |
| CUSTOMER SERV SP2 | 44,736 | | 0.4 | 0.2 | 0.1 | 0.1 |
| EMS BAND 4 | 135,635 | 0.0 | | 0.0 | | |
| EMS BAND 5 | 158,451 | 0.0 | | 0.0 | | |
| EXCISE TAX EX 1 | 47,988 | | 0.5 | 0.3 | 1.0 | 1.0 |
| EXCISE TAX EX 2 | 59,844 | | 2.0 | 1.0 | 3.0 | 3.5 |
| EXCISE TAX EX 3 | 66,012 | 1.0 | 2.5 | 1.8 | 5.0 | 6.0 |
| EXCISE TAX EX 4 | 72,924 | 0.5 | 1.0 | 0.8 | 2.0 | 2.0 |
| FINANCIAL EX 3 | 91,068 | | 3.0 | 1.5 | 3.0 | 3.0 |
| FISCAL ANALYST 2 | 52,920 | | 0.4 | 0.2 | 0.4 | 0.4 |
| HUM RES CNSLT 3 | 76,608 | | 0.5 | 0.3 | 0.5 | 0.5 |
| INVESTIGATOR 3 | 78,468 | 0.5 | 1.0 | 0.8 | 1.0 | 1.0 |
| IT ARCH-SR/SPEC | 115,128 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| IT B A-JOURNEY | 94,728 | 3.0 | 2.9 | 3.0 | 1.1 | 1.1 |
| IT B A-SR/SPEC | 104,412 | 0.3 | 0.4 | 0.4 | 0.2 | |
| IT DATA MGT-JOURNEY | 99,444 | | 1.0 | 0.5 | 1.0 | 1.0 |
| IT NTWK & TEL-SR/SPEC | 104,412 | | 1.0 | 0.5 | 1.0 | 1.0 |
| IT PROJ MGT-JOURNEY | 99,444 | 1.0 | 1.0 | 1.0 | 0.5 | 0.3 |
| IT QA-JOURNEY | 94,728 | 5.0 | 4.0 | 4.5 | 1.0 | 0.5 |
| IT QA-SR/SPEC | 104,412 | 0.5 | 0.5 | 0.5 | 0.5 | |
| IT SECURITY-JOURNEY | 94,728 | | 1.0 | 0.5 | 1.0 | 1.0 |
| IT SYS ADM-JOURNEY | 99,444 | 0.4 | | 0.2 | | |
| IT SYS ADM-SR/SPEC | 104,412 | 2.0 | 3.0 | 2.5 | 3.0 | 3.0 |
| MGMT ANALYST4 | 78,468 | 1.0 | 1.4 | 1.2 | 0.6 | 0.4 |
| MGMT ANALYST5 | 86,712 | 0.3 | 0.3 | 0.3 | | |
| PROCUREMENT & SUPPLY | 62,892 | | 0.2 | 0.1 | 0.2 | 0.2 |
| SPECIALIST 3 | | | | | | |
| REVENUE AUDITOR 3 | 72,924 | 4.2 | 10.3 | 7.3 | 10.3 | 10.3 |
| REVENUE AUDITOR 4 | 91,068 | 2.5 | 5.0 | 3.8 | 5.0 | 5.0 |
| REVENUE AUDITOR SUPV | 98,040 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| TAX INFO SPEC 1 | 47,988 | | 0.1 | 0.1 | | |
| TAX POLICY SP 2 | 80,460 | 1.5 | 1.1 | 1.3 | 1.1 | 0.6 |
| TAX POLICY SP 3 | 91,068 | 5.9 | 6.7 | 6.3 | 7.6 | 5.7 |
| TAX POLICY SP 4 | 98,040 | 3.4 | 3.6 | 3.5 | 2.9 | 2.2 |
| WMS BAND 2 | 101,410 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| WMS BAND 3 | 115,352 | 0.1 | | 0.0 | | |
| Total FTEs | | 36.7 | 58.6 | 47.7 | 56.7 | 53.4 |

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

Request # 5797-1-1

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the complex process to adopt WAC 458-NEW-NEW, "Financial Intangible Assets - Individuals," and the standard process to adopt four new rules for financial intangible assets tax and one new rule for tax avoidance under chapter 458-NEW WAC.

Should this legislation become law, the department will use the standard process to amend the following rules:

- WAC 458-50-150, titled: "Intangible personal property exemption - Introduction."
- WAC 458-50-160, titled: "Exempt intangible property distinguished from other intangibles."

This rulemaking would affect individuals reporting and/or paying the new financial intangible assets tax.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

| | |
|-----------------------------|-------------------------------------|
| Bill Number: 5797 SB | Title: Intangible assets tax |
|-----------------------------|-------------------------------------|

Part I: Jurisdiction—Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☒ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

| | | |
|------------------------------------------|-----------------------|------------------|
| Fiscal Note Analyst: Angie Hong | Phone: 360-725-5041 | Date: 03/27/2025 |
| Leg. Committee Contact: Jeffrey Mitchell | Phone: 360-786-7438 | Date: 03/20/2025 |
| Agency Approval: Allan Johnson | Phone: 360-725-5033 | Date: 03/27/2025 |
| OFM Review: Megan Tudor | Phone: (360) 890-1722 | Date: 03/30/2025 |

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

Section 1 - describes legislative intern.

Section 2 - creates definitions.

Section 3 - creates a new tax on intangible assets beginning January 1, 2026 at a rate equal to \$10 per \$1,000 of the true and fair value of a resident's taxable worldwide intangible assets. Some exemptions apply.

Section 4 - describes when tax returns must be submitted and penalties for missed tax return deadlines.

Section 5 - describes Dept. of Revenue's ability to adopt rules for administrative purposes.

Section 6 and 7 - describes exemptions for this tax in greater detail.

Section 8 - describes innocent spouse relief for taxable persons filing jointly.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill will not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill will not impact local government revenue.

SOURCES

Washington State Dept. of Revenue



Multiple Agency Ten-Year Analysis Summary

| | |
|-------------------------------|---------------------------------------|
| Bill Number 5797 SB | Title Intangible assets tax |
|-------------------------------|---------------------------------------|

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

| | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 | Fiscal Year 2029 | Fiscal Year 2030 | Fiscal Year 2031 | Fiscal Year 2032 | Fiscal Year 2033 | Fiscal Year 2034 | Fiscal Year 2035 | 2026-35 TOTAL |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|
| Department of Revenue | 0 | 4,116,000,000 | 4,124,000,000 | 3,992,000,000 | 3,917,000,000 | 3,993,000,000 | 4,093,000,000 | 4,199,000,000 | 4,323,000,000 | 4,436,000,000 | 37,193,000,000 |



Ten-Year Analysis

| | | |
|-------------------------------|---------------------------------------|--------------------------------------------|
| Bill Number 5797 SB | Title Intangible assets tax | Agency 140 Department of Revenue |
|-------------------------------|---------------------------------------|--------------------------------------------|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ **No Cash Receipts**
☐ **Partially Indeterminate Cash Receipts**
☐ **Indeterminate Cash Receipts**

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 | Fiscal Year 2029 | Fiscal Year 2030 | Fiscal Year 2031 | Fiscal Year 2032 | Fiscal Year 2033 | Fiscal Year 2034 | Fiscal Year 2035 | 2026-35 TOTAL |
|------------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Intangible assets tax | 001 | | 4,116,000,000 | 4,124,000,000 | 3,992,000,000 | 3,917,000,000 | 3,993,000,000 | 4,093,000,000 | 4,199,000,000 | 4,323,000,000 | 4,436,000,000 | 37,193,000,000 |
| Total | | | 4,116,000,000 | 4,124,000,000 | 3,992,000,000 | 3,917,000,000 | 3,993,000,000 | 4,093,000,000 | 4,199,000,000 | 4,323,000,000 | 4,436,000,000 | 37,193,000,000 |
| Biennial Totals | | | 4,116,000,000 | 8,116,000,000 | | 7,910,000,000 | | 8,292,000,000 | | 8,759,000,000 | | 37,193,000,000 |

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:

Washington does not currently tax financial intangible assets.

PROPOSAL:

Beginning January 1, 2026, this bill imposes an intangible asset tax on each Washington resident. The tax equals \$10 per \$1,000 of the true and fair value of a resident's taxable worldwide intangible assets on December 31 of the tax year.

The Department of Revenue (department) will collect this new tax.

Taxable financial intangible assets include:

- Publicly traded bonds
- Exchange traded funds
- Mutual funds
- Publicly traded stocks

This bill exempts all of a Washington resident's intangible assets if the Washington resident owns less than \$50 million in publicly traded bonds, exchange traded funds,



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|-----------------------|---------------------------|
| 5797 SB | Intangible assets tax | 140 Department of Revenue |

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Narrative Explanation (Required for Indeterminate Cash Receipts)

mutual funds, and publicly traded stocks. If a Washington resident owns \$50 million or more in these assets, then all such assets are taxable unless another exemption applies such as the exemption for assets subject to a similar tax.

Exempt financial intangible assets include:

- Cash and cash equivalents
- Publicly traded options
- Annuities
- Futures contracts
- Commodities contracts
- Put and call options
- Certificates of interest in gold and other precious metals or gems
- Units of ownership in a subchapter K entity
- Units of ownership and stock in a subchapter S entity
- Other financial intangible assets that are not publicly traded bonds, exchange traded funds, mutual funds, or publicly traded stocks
- Retirement accounts such as a pension, 401(k), 403(b), individual retirement arrangement (IRA), or similar asset
- Nonfinancial intangible assets
- Notes of debt from the United States
- Notes of debt from Washington state
- Stock of the federal reserve
- Stock from government national mortgage associations, government federal mortgage associations, or other corporations and associations established by acts of the Congress of the United States
- Tuition savings account or similar education related account
- Worldwide intangible assets of artificial persons, however this exemption does not affect the computation of the true and fair value of a natural person's worldwide intangible assets.

Individuals filing joint returns must meet all the following conditions to qualify for innocent spouse relief:

- The financial intangible tax applies to the individual in the same taxable year.
- The non-petitioning current or former spouse, or state-registered domestic partner, erroneously reported assets, causing the understatement of tax due on a joint filing.
- The individual seeking relief establishes that he or she did not know, and had no reason to know, that there was such an understatement.
- The individual seeking relief liable for the deficiency in tax for such taxable year attributable to such understatement is manifestly inequitable.



Ten-Year Analysis

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Narrative Explanation (Required for Indeterminate Cash Receipts)

Penalties will result from the understatement of asset valuations and will be added to the tax due.

- Substantial intangible assets tax valuation understatement of gross misstatement results in 50% of the portion of the underpayment due to the valuation understatement in all other cases 30% for understatement of valuation.
- Substantial understatements means five thousand dollars or more in lower valuations.
- Gross intangible assets tax valuations misstatements mean the true and fair value of any intangible assets reported on a return is less than or equal to 40% of the correct amount.
- Substantial intangible assets tax valuation understatement means the correct amount of the true and fair value of intangible assets determines whether the reported value on a return constitutes a substantial intangible assets tax valuation understatement if it is 65% or less of the correct amount.

If a taxpayer fails to file a return by the due date, the department must assess a penalty of 5% of the tax due for the tax year covered by the delinquent return for each month or portion of a month the return remains unfiled up to a maximum of 25%. This amount is in addition to any penalties assessed for the late payment of any tax due on the return. The department must waive the penalty for failing to file:

- If the department is persuaded that the failure to file was due to circumstances beyond the taxpayer's control.
- If the taxpayer has not been delinquent in filing any return for this tax during the preceding 5 calendar years.

Financial intangible assets are exempt from this tax if they are subject to a similar tax imposed in the same year.

- If Washington is not the domicile of the taxpayer for a greater amount of time than another state the exemption does not apply.
- Similar taxes do not include estate tax, inheritance tax, gift tax, net income tax, business activity tax including a gross earnings tax or gross receipts tax, activity tax, or other tax similar to the aforementioned taxes.

EFFECTIVE DATE:

This bill takes effect on January 1, 2026, with the first returns due in April of 2027.

ASSUMPTIONS:

- Asset value is as of December 31 of the tax year.
- No taxpayers sell or dispose of their financial intangible assets.
- This estimate adjusts potential revenue collections to reflect behavioral responses, including tax planning and taxpayer mobility, tax enforcement, and taxpayer reporting compliance.
- The distribution of wealth among taxpayers subject to the wealth tax is heavily skewed toward the top. For the top 1% of taxpayers, a revenue collection rate of 10% is



Ten-Year Analysis

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|-------------|-----------------------|---------------------------|
| 5797 SB | Intangible assets tax | 140 Department of Revenue |

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Narrative Explanation (Required for Indeterminate Cash Receipts)

applied.

- For the remaining 99% of taxpayers, the combined revenue collection rates are:
 - 48% in fiscal year 2026.
 - 51% in fiscal year 2027.
 - 48% in fiscal year 2028.
 - 45% in fiscal year 2029 and after.
- No taxpayers subject to the financial intangible assets tax die during the tax year and no new taxpayers become subject to the tax.
- The tax paid for a calendar year is subtracted from taxpayers' taxable financial intangible assets in the subsequent year.
- The new source of tax revenue is from the financial intangible assets.
- This estimate assumes that collection of the tax would not be delayed during the course of any legal challenges and that the tax would ultimately survive any legal challenges.
- The analysis evaluates financial intangible assets at the tax-unit level and assumes all spouses and domestic partners file a joint return.
- The estimate does not include financial intangible assets that produce interest income. Interest income may include assets not included in this proposal.
- This new tax is deposited into the General Fund.

DATA SOURCES:

- Internal Revenue Service, Personal income tax returns, federal tax year 2021
- Economic and Revenue Forecast Council, November 2024 forecast
- Saez, E., & Zucman, G. (2019). Progressive Wealth Taxation. Brookings Papers on Economic Activity 2019(2), 437-533. doi:10.1353/eca.2019.0017
- Smith, M., Zidar, O. M., & Zwick, E. (2021). Top Wealth in America: New Estimates and Implications for Taxing the Rich. National Bureau of Economic Research, <https://www.nber.org/papers/w29374>
- Smith, M., Zidar, O. M., & Zwick, E. (2022). Top Wealth in America: New Estimates Under Heterogeneous Returns. Quarterly Journal of Economics, 138(1): 515–573.
- Advani, A., & Tarrant, H. (2021). Behavioral Responses to a Wealth Tax. Fiscal Studies. DOI:10.1111/1475-5890.12283

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$4.116 billion in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|-----------------------|---------------------------|
| 5797 SB | Intangible assets tax | 140 Department of Revenue |

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Narrative Explanation (Required for Indeterminate Cash Receipts)

| | | |
|--------------------------------------------|----|-----------|
| FY 2026 - | \$ | 0 |
| FY 2027 - | \$ | 4,116,000 |
| FY 2028 - | \$ | 4,124,000 |
| FY 2029 - | \$ | 3,992,000 |
| FY 2030 - | \$ | 3,917,000 |
| FY 2031 - | \$ | 3,993,000 |
| Local Government (cash basis, \$000): None | | |

| | | |
|---------------------------------|---------------------|----------------------------|
| Agency Preparation: Joe Lee | Phone: 360-534-1528 | Date: 3/24/2025 9:59:21 am |
| Agency Approval: Valerie Torres | Phone: 360-534-1521 | Date: 3/24/2025 9:59:21 am |
| OFM Review: | Phone: | Date: |