Initiative 1098: How will Washington’s effective income tax rates stack up?

**Short Answer:** The top 1% of taxpayers in Washington will have an average effective tax rate of 4%. That puts Washington’s ranking for this group of wealthy taxpayers at 27th out of the 44 states (including Washington, D.C.) that tax income.¹ (See reverse)

Households with income below $200,000 will not be affected – and neither will the vast majority of those with adjusted gross income (AGI) between $200,000 and $400,000. That’s because roughly 85% of income tax returns with adjusted gross income above $200,000 are joint returns, and I-1098’s income tax provisions kick in at $400,000 for couples.

**Background:** Initiative 1098 adds a tax on the top 1.2% of filers to fund education and health care.

- Individual filers with income of $200,000 or less and joint filers with income of $400,000 or less – nearly 99% of Washington tax filers – would not pay.²
- A 5% rate applies only to individual AGI between $200,000 and $500,000, or joint AGI between $400,000 and $1 million. This means a couple with income of $400,001 would pay 5 cents in state income tax.
- A 9% rate applies to individual AGI in excess of $500,000, and joint AGI in excess of $1 million. For example, an individual with income of $500,001 would pay $15,000 for the increment between $200,000 and $500,000, and 9 cents for the dollar above $500,000, or $15,000.09.

Taxpayers could also deduct state income tax from federal taxable income, so about one quarter of the new state tax would be offset by a reduction in their federal income taxes. And I-1098’s provision for a 20% reduction in the state portion of the property tax will apply to all property owners.

### Initiative 1098 Tax Rates and Income Thresholds for Individual and Joint Filers

<table>
<thead>
<tr>
<th>Rate</th>
<th>Individual Filer Thresholds</th>
<th>Joint Filer Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>All AGI under $200,000</td>
<td>All AGI under $400,000</td>
</tr>
<tr>
<td>5%</td>
<td>AGI between $200,000 - $500,000</td>
<td>AGI between $400,000 - $1,000,000</td>
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<tr>
<td>9%</td>
<td>AGI over $500,000</td>
<td>AGI over $1,000,000</td>
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AGI: Adjusted gross income

*Please see reverse for average effective income tax rates under Initiative 1098.*

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¹ Income range for top 1%: $537,000 and above

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Average Effective Income Tax Rates under I-1098: Top 1% of Taxpayers by State


‘Top 1%’ of WA filers income range: $537,000 and over.