

## **2018 AGENDA: REVENUE**

In order to improve the affordability and accessibility of higher education, the state must increase their financial contribution. To follow truly invest in education, Washington State must embrace existing and additional sources of revenue reliable sources. Washington State has the opportunity to radically redefine what public higher education looks like. By fully funding higher education we can effectively and equitably serve the diverse needs of the students on our campus.

Historically, finding new sources of revenue has been a challenge, even though it is necessary in accomplishing most of the ASWWU legislative requests. The following revenue requests are centered around economic and educational justice. Enacting these requests will make higher education truly accessible in Washington, and will move us all toward a more just, productive, and educated society.

Decreasing financial burdens and barriers to education are crucial. Increasing the quality of higher education has an incredible impact on students. The ability to navigate our institution of higher education is already difficult without the additional stresses of rising tuition and minimal financial support.

It is vitally important to emphasize the issue of inadequate funding disproportionately affects students of color and students from other marginalized communities. For solutions to be meaningful and effective, marginalized students and students of color need to be integrally involved in this work.

Revenue will be especially important this session as students will be heavily pushing for fully funding the state need grant, the work study program, and other need based forms of aid. There will be potential to advocate on behalf of changes to the operating budget during the 2018 legislative session. Our priorities fit squarely within the scope of the legislative reality in which we will be lobbying.

This proposal offers clear and realistic sources of revenue that can be specifically used towards investing in our under-funded system of higher education. The following guidelines were used when developing the legislative priorities:

- 1) Do not increase existing taxes that disproportionately harm people of lower income
- 2) Aim for tax increases that discourage negative behaviors that are harmful to society
- 3) Avoid negatively impacting the economy of Washington State.

### **Tax Cannabis**

1-502 was approved by WA state voters in the 2012 statewide elections. According to the Washington State Liquor and Cannabis Control Board Annual Report for Fiscal Year 2015, taxing cannabis brought in \$65 million dollars, the majority of which was deposited into the state's general fund which may be used for any governmental purpose as it is appropriated by the legislature. As of October 2016, the annual revenue is over \$185 million. We recommend using this revenue to support student services on campus that increase graduation rates and student retention.

### **Tax Lottery Winnings**

Although lottery winnings are already implicitly taxed, there should be an explicit tax on lottery winnings with the proceeds funding higher education. Washington state's current implicit lottery tax revenue results in a profit equivalent to \$19 per person, which is lower than the U.S. average at \$58 per person. This change is easy to implement because the tax structures already exist and opposition to increasing these taxes is minimal.

### **Close the Extracted Fuel Exemption**

As part of a multi-year effort on climate policy and with a looming need to find new revenue to support higher education, this proposal would build on a campaign initiated by the environmental community in 2013 to eliminate the "extracted fuel exemption" in state tax code. This exemption was created in 1949 for sawmills and producers of other wood products. The exemption follows that, "fuel consumed by manufacturers or extractors is exempt from use tax when the fuel is used in the process of manufacturing or extracting at the same plant." Currently, 98% of the money exempted from taxation is from oil refineries and only 2% is from wood product firms. Closing the loophole would generate about \$50 million per biennium. The environmental community's strong campaign to mobilize support for closing the loophole makes 2018 a good session to build a broader base of support for pushing oil companies to make investments in critical state obligations like higher education.

### **Increase the Estate Tax**

We currently have a sliding scale estate tax between 10-20%, and is applied only to assets over \$2 million. There have been bills put forth in recent sessions that increase that scale to 20-38%. This issue has made slight traction on previous years but despite the fact that it strongly benefits the overwhelming majority of Washington residents it remains locked in a partisan divide.

### **First Time Mortgage Lenders Tax Loophole**

Banks that lend to first time home buyers do not pay tax on profits. This was originally designed to benefit WaMu, a bank that no longer exists. This could generate about \$50 million per biennium. This should be relatively easy, when the reason for a piece of legislation becomes obsolete, like WaMu has, there is a strong argument to be made for the removal of those protections. This loophole is not used by credit unions. This was reviewed in 2015 and the Joint Legislative Audit Review Committee recommended limiting this to "community banks."

### **Limit Real Estate Excise Tax (REET) exemptions**

Currently when you sell a house in WA you pay a REET, we propose limiting the exemptions currently offered so that lenders pay a REET when they sell foreclosed properties. This could raise up to \$81.9 million per biennium. This also has fallen more along partisan lines, but the moral argument for it is pretty strong.

### **Capital Gains Tax**

Capital Gains are the profits from sales of corporate stocks, bonds, investment property (Not on primary residences) & other high end financial assets. This would only be on gains of over \$25,000 a year (per individual), and would mostly affect people with an average annual income of over \$490,000. It could generate as much as \$800 million a year/ \$1.6 billion per biennium. This issue is incredibly partisan but one that could raise a significant amount of revenue without negatively impacting the incomes of the vast majority of Washingtonians.

### **Carbon Tax**

Climate scientists, along with economists, have long said that one of the best ways to fight climate change is by putting a price on greenhouse gas emissions and increasing that rate over time. Carbon pricing encourages the switch to clean energy sources which is beneficial to the environment and will create new living wage jobs in clean energy industries. International communities, such as British Columbia, Ireland and Sweden, have successfully implemented carbon pricing, to the benefit of the environment and their economies. Washington State would be the first in the US to implement a carbon tax, and must lead the nation on this important issue.

Washington State needs a strong carbon tax that supports workers' needs and transitions us towards a renewable energy based economy in an equitable manner. Proceeds from a carbon tax could fund investments in reducing emissions, which is beneficial for all residents of Washington State. We must raise prices on emissions and make big emitters offset their pollution's impact. A share of the investments will go towards communities that are most burdened by pollution, climate change, poverty, and environmental racism.

Furthermore, Washingtonians are in support of such a bill. Although Initiative 732 failed on the November 2016 ballot, groups who were opposed appreciated the intentions of such a campaign. However, it fell short because it did not invest directly in renewable energy infrastructure. A new carbon tax proposal could and should do this, and we want to push legislators in this direction. Carbon taxing benefits all of Washington when it is done with care and intention.

Our primary targets are as follows:

Chair of the House Appropriations Committee.

Ranking minority member, House Appropriations Committee

Speaker of the house

Senate Majority Leader.

Next Senate Ways and Means Chair

Ranking member Ways and Means

Secondary Targets

Governor: Has made education a top priority

Senate Higher Ed Chair: Invested in Higher Ed

A creative way to engage students with this issue would be using fake money or checks to signify how much students are paying annually to attend WWU or how much debt they will be graduating with. Running a “what if” campaign might also be an effective way for students to express how much debt they are going to graduate with and what they could have bought with that same amount of money. We can come up with other tactics throughout the year as we react to the way the session is forming around a supplemental budget.

PARAGRAPH BLURB :

Decreasing tuition and fully funding financial aid are critical to the success of college and university students. The chronic lack of funding for higher ed disproportionately affects marginalized communities, including people of color, first generation students, low income students, and more. The ASWWU recommends implementing these progressive, reasonable sources of revenue. These measures will propel Washington State toward equity, both in tax policy and in higher education.

We strongly advocate for the following:

- Closing the extracted fuel exemption
- Instituting a progressive capital gains tax
- Closing some real estate excise tax exemptions
- Increasing the estate tax
- Closing the first time mortgage lenders tax loophole
- Taxing lottery winnings

We request that cutting tuition rates and funding higher education take priority when distributing the revenue from these sources.