

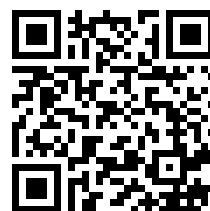
BUDGET/TAXES

Ballot Guide for Washington's Initiative 645

Repealing the new 9.9% income tax with a current statutory million-dollar exemption

By Jason Mercier
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INTRODUCTION

This November, Washington voters will decide whether to enact Initiative Measure No. IP26-645 (I-645). This proposal would repeal a new 9.9% income tax, with a current statutory exemption of one million dollars, that is scheduled to take effect in 2028.¹ Despite the Washington State Supreme Court repeatedly ruling that this type of income tax is unconstitutional, the legislature imposed it this year anyway while attaching an emergency clause to prevent a voter referendum. Unable to pursue a referendum, opponents of the new income tax qualified I-645 for voter consideration instead. A separate constitutional legal challenge to the new income tax is also underway in the courts. Washington voters have previously rejected ten separate income tax proposals.

INCOME TAX TIMELINE

2026	Voters consider Initiative 645
2028	New income tax scheduled to take effect
2029	Revenue collection scheduled to begin

¹ "Frequently asked questions about income tax," Washington Department of Revenue, accessed on September 23, 2026, available at <https://dor.wa.gov/taxes-rates/income-tax/frequently-asked-questions-about-income-tax>

Washington voters have overwhelmingly rejected ten straight income tax proposals.

Ballot summary for Initiative 645

Here is the ballot summary for I-645:

“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?

Ballot Measure Summary: This measure would repeal a 9.9% tax on annual individual income over \$1,000,000; 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; and define income as ‘any gain or benefit measured in money derived from an individual's capital, labor, property, or other source.’ It would also define ‘individual’ as a natural person for purposes of excise taxes.”²

Official Pro and Con statements

Here are excerpts from the Pro and Con statements for I-645:

PRO: “Trust isn't built by passing another tax, it's earned by keeping promises. Over the last 90 years, Washingtonians have rejected an income tax ten times because they knew it would threaten economic growth, discourage investment, and reach beyond the people originally targeted. This year, the Legislature enacted a new income tax anyway. I-645 restores your right to decide. Supporters insist the tax is narrow, applying only to income above \$1 million. But lawmakers rejected opportunities to permanently limit its reach, giving Olympia the ability to expand the income tax to everyone. Before asking taxpayers for more, they should demonstrate they can keep the commitments they've already made.”

CON: “Washington has one of the nation's most upside-down tax systems, where working and middle class families pay a far higher tax rate than the wealthiest. I-645 would make that worse. I-645 is fiscally irresponsible, slashing billions in funding for education and healthcare, increasing taxes on 460,000 hard-working families, and jeopardizing tax cuts for thousands of small businesses.”³

History of Washington voters rejecting income taxes

Washington voters have overwhelmingly rejected ten straight income tax proposals.⁴ Six constitutional amendments were defeated in 1934, 1936, 1938, 1942, 1970, and 1973. Along with rejecting these constitutional amendments, voters have also rejected four other income tax ballot measures in 1944, 1975, 1982, and 2010. I-645 is providing voters with another opportunity to reject a state income tax.

² “Summary of Initiative 26-645,” Washington State Legislature, August 21, 2026, available at <https://leg.wa.gov/media/ucubvqsd/2026-summary-of-initiative-26-645.pdf>

³ “State Measures - Initiative Measure No. IP26-645,” Washington Secretary of State, accessed on September 23, 2026, available at https://voter.votewa.gov/genericvoterguide.aspx?e=899&c=99&_gl#/measure/7325

⁴ “Income Tax Ballot Measures,” Washington Secretary of State, accessed on September 23, 2026, available at <https://www2.sos.wa.gov/elections/research/income-tax-ballot-measures.aspx>

*The Washington
Constitution bars any
graduated income
tax.*

Serious constitutional concerns with new state income tax

For nearly 100 years, the state Supreme Court has ruled that Washingtonians own their income, meaning it is property. This is why a graduated income tax (non-uniform and at more than 1% of value) requires a constitutional amendment. The income tax enacted has a 9.9% rate.

Here is how Washington's constitution defines property:

"The word 'property' as used herein shall mean and include everything, whether tangible or intangible, subject to ownership."

This definition of property wasn't part of the state's original constitution but was instead added by 61% of voters in 1930. It is one of the broadest definitions of property in any state constitution.⁵

Repeatedly being unable to secure voter approval for a constitutional amendment, income tax supporters are now willfully employing lawfare in hopes the courts will change prior rulings. State Senator Jamie Pedersen, one of the income tax law sponsors, said this about the proposal:

"We want the state Supreme Court to reconsider its ruling. That is not a bug; that is a feature of the proposal."⁶

As the Washington State Supreme Court noted in 1960, however, an income tax should be decided with a constitutional amendment:

"The argument is again pressed upon us that these cases were wrongly decided. The court is unwilling, however, to recede from the position announced in its repeated decisions. Among other things, the attorney general urges that the result should now be different because the state is confronted with a financial crisis. If so, the constitution may be amended by vote of the people. Such a constitutional amendment was rejected by popular vote in 1934."⁷

Because nearly a century of legal precedent prohibits a graduated income tax, including a case as recent as 2019 (Seattle income tax), even income tax advocates expect to lose in the trial and appellate courts.

The Division One Court of Appeals said in that 2019 ruling:

"In a series of decisions dating back to 1933, the Washington Supreme Court has unequivocally held income is property, a tax on income is a tax on property, taxes on property must be uniformly levied, and a graduated income tax is not uniform. Therefore, the Washington Constitution bars any graduated income tax."⁸

The state Supreme Court refused to hear that 2019 case and let the Division One ruling stand, prohibiting an income tax.

⁵ "Washington state is blowing up its no-income-tax advantage," by Jason Mercier, Mountain States Policy Center, March 10, 2026, available at <https://www.mountainstatespolicy.org/post/washington-state-is-blowing-up-it-s-no-income-tax-advantage>

⁶ "Washington State Mulls a Millionaire's Tax," *Governing*, February 3, 2026, available at <https://www.governing.com/finance/why-washington-state-is-mulling-a-millionaires-tax>

⁷ "Apt. Operators Ass'n of Seattle, Inc. v. Schumacher," Washington State Supreme Court, April 14, 1960, available at https://scholar.google.com/scholar_case?case=3297928517238259484&q=Apt.+Operators+Ass%27n+of+Seattle%2C+Inc.+v.+Schumacher&hl=en&as_sdt=6%2C48&as_vis=1&fbclid

⁸ "Lawsuit filed against the unconstitutional income tax in Washington state," by Jason Mercier, Mountain States Policy Center, April 10, 2026, available at <https://www.mountainstatespolicy.org/post/lawsuit-filed-against-the-unconstitutional-income-tax-in-washington-state>

We put that language into statute, and we can amend it any time we want to.

New income tax is not constitutionally restricted to “millionaires”

Because the income tax subject to repeal by I-645 was enacted as a regular statute and not submitted as a constitutional amendment, any claims that the tax and its rate will not expand to more taxpayers deserve skepticism.

The history of income taxes across the country is to start limited to high earners and then expand to more taxpayers. Washingtonians should expect the same to happen here. As noted by the Washington Policy Center:

“When a new tax is imposed, we’re often told: ‘Don’t worry; it only hits other people and will never expand to you.’ As history demonstrates, however, the natural course of new taxes is to expand. For example, let’s look at income taxes across the country. Once an income tax is implemented, not only do state governments then become increasingly dependent on it for revenue, but the tax brackets also vastly expand to include more payers than what was initially promised.

Both federal and state income taxes have experienced dramatic transformations over the years. For the federal level, Business Reference Services indicate the Revenue Tax Act in 1916 made the first income tax bracket at 1% for the lowest income and 7% for the highest. This suggests that the federal income tax was originally meant to include all income earners, with the lowest earners paying the least and the high-income earners paying the most. However, ever since this act was established, there have been dramatic changes in the tax bracket. In recent years, the maximum income tax has been sitting at around 37% to 40% for top income earners.”⁹

Income tax rate and bracket creep are especially concerning when realizing Sen. Pedersen said this about repealing the I-2111 state and local income tax ban adopted in 2024:

“That was — what did Mary Poppins call that? — a ‘pie crust promise.’ Easily made, easily broken. We put that language into statute, and we can amend it any time we want to. I wouldn’t take that super-seriously.”¹⁰

STATUTORY EXEMPTION

\$1 MILLION

The current exemption is set in statute.
It can be changed by lawmakers.

⁹ “Beware of income tax rate creep,” Washington Policy Center, June 11, 2021, available at <https://www.washingtonpolicy.org/publications/detail/beware-of-income-tax-ratecreep>

¹⁰ “Gov. Ferguson says he wants to see a ‘millionaires’ tax’ in Washington state,” KUOW, December 23, 2025, available at <https://www.kuow.org/stories/gov-ferguson-wants-to-see-a-millionaires-tax-in-washington-state>

AWB EMPLOYER SURVEY

45%

Expect the new income
tax to impact their
businesses

22%

Unsure

Source: AWB, Summer 2026
employer survey (note 13).

Nothing in this publication
shall be construed as an
attempt to aid or hinder the
passage of any legislation.

Income tax impact on Washington's business climate

It wasn't long ago that Washington state openly boasted about how businesses and individuals had a competitive advantage because the state didn't impose income taxes. Washington's Department of Commerce advertised across the country in 2012:

"Choose Washington - We offer businesses some competitive advantages found in few other states. These include no taxes on capital gains or personal or corporate income."¹¹

Now, however, the state imposes both a capital gains and a personal income tax. This dramatic course reversal, throwing away the state's competitive advantage, is of great concern to business leaders in the state. The Association of Washington Business warns:

"Washington is already a high-cost state for families and employers, even without this new tax," said AWB President Kris Johnson. "By adopting a state income tax, we are giving up one of our few competitive advantages with other states and regions and making Washington even more expensive for small- and medium-sized businesses, many of which are structured as S-corps and pass-through entities. If this tax is not repealed, they will have a higher tax burden and less profit for capital expansion, equipment, payroll and employee benefits. We hope voters will approve I-645 and lawmakers will get to work creating a growth agenda for the state."¹²

An AWB survey of Washington employers this summer underscores this concern:

"Washington employers remain pessimistic about the state economy, citing taxes as their top concern and continuing to look outside Washington for expansion opportunities..."

Though income tax supporters say the tax will be restricted to "millionaires," 45% of AWB employer survey respondents (22% unsure) expect the new income tax to impact their businesses.¹³

Conclusion

Washington voters have already rejected an income tax ten times. They are being asked to do so again with I-645. Supporters of the new tax claim that repealing the tax will adversely impact current government services. The new 9.9% income tax in question, however, is not scheduled to take effect (assuming it survives constitutional legal challenges) until 2028, with revenues not collected until 2029. This provides lawmakers with several years to plan for future expenditures around revenues that will be available from existing sources in 2029.

By adopting I-645, voters would have the opportunity to restore the state's "competitive advantage" of no personal income taxes while working to increase faith in Washington's business climate. Should voters reject I-645, the new 9.9% income tax with a current statutory exemption of one million dollars will still face legal challenges for violating nearly 100 years of state Supreme Court rulings clearly telling lawmakers that imposing this type of income tax requires a constitutional amendment.

¹¹ "Choose Washington," Washington Department of Commerce, December 13, 2012, available at <https://web.archive.org/web/20121213195601/https://choosewashingtonstate.com/why-washington/our-strengths/pro-business/>

¹² "AWB Endorses I-645, Washington Supreme Court Candidates," AWB, September 14, 2026, available at <https://www.awb.org/awb-endorses-i-645-washington-supreme-court-justices/>

¹³ "Summer 2026 - Washington Employer Survey," AWB, accessed on September 23, 2026, available at https://www.awb.org/wp-content/uploads/AWB_EMP_Survey_Sum26_072826-FINAL.pdf

SUMMARY & KEY FACTS

Initiative 645 would repeal Washington's new 9.9% personal income tax and prohibit state and local taxes measured by individual income. This guide reviews the ballot language, competing arguments, voters' history of rejecting income taxes, constitutional concerns, the scope of the statutory exemption, and potential effects on Washington's business climate.

- I-645 would repeal the 9.9% income tax with a current statutory \$1 million exemption.
- Washington voters have rejected ten income tax proposals since 1934.
- The guide identifies nearly a century of rulings treating income as property.
- The \$1 million exemption is statutory and can be changed by lawmakers.
- The tax is scheduled to take effect in 2028, with revenues collected in 2029.

ABOUT THE AUTHOR

Jason Mercier has more than 20 years experience working with public officials, media, and citizen stakeholders across the nation to improve the fiscal, governance and transparency policies of local and state governments. He spent the last 16 years as the Director of the Center for Government Reform at Washington Policy Center.



Jason has been appointed by lawmakers and governors to various tax, budget and transparency reform committees. He is a Fellow with the national Better Cities Project and is also a member of the State Tax Advisory Board for the Tax Foundation. Jason has testified numerous times before legislative committees across the country on government reform issues, and his op-eds have been published in numerous newspapers across the region.

When he's not geeking out on studies and audits, Jason's life revolves around his wife and two daughters and the 49ers' schedule.



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