

A Fair Sales Tax for Health and Economic Security

The House Health and Human Services Appropriations Subcommittee proposed a referendum to temporarily raise the state retail sales tax from 6.5 to 6.8 cents in order to generate revenue for essential health care investments. The proposal includes implementing the Working Families Tax Rebate to offset the costs of the tax increase for lower income families. This policy protects the health and well-being of lower income adults and children in Washington during the economic recession and recognizes the need for progressive tax reform in our state.

The referendum would raise an estimated \$1.1 billion over three years. About \$480 million would be available in the 2009-11 biennium to help minimize cuts to state health care programs. For example, budget cuts to the Basic Health Plan, which provides affordable health insurance to lower income Washingtonians, would be reduced by \$187 million. Children's health, community mental health services, long term care, hospitals, and vision and hearing services would also receive dedicated revenue. The revenue raised would be enhanced by additional federal matching dollars.

While a sales tax increase is not a perfect answer to Washington's \$9 billion revenue problem, it is a smart and necessary move for the state given the current fiscal crisis. The magnitude of our budget deficit requires that we consider all options, including raising revenue in an expedient manner. This will help avoid the lasting damage that deep budget cuts will have on health and economic security of

Washingtonians. The fact is that the immediate loss of health insurance and access to health services will have a dramatic economic impact on lower income families as well as obvious health implications.

Importantly, the tax increase is linked to funding for the Working Families Tax Rebate (WFTR), a policy that will refund a portion of the state sales tax to lower income working families. In fact, the proposed tax increase combined with the WFTR will result in a net tax *cut* on average for families in the bottom fifth of the income scale. It would also significantly lower the cost of the tax increase for moderate income families.

The WFTR provides help to families struggling in the recession, but it also addresses the regressive nature of the sales tax and helps set Washington on the road to a fairer and more just tax system. This is just the beginning. Our tax system remains the most imbalanced in the nation. In addition, we must address the inadequacy of our revenue streams; the state's ability to pay for normal growth in government spending has been deteriorating for over a decade.

For now, a sales tax increase is needed to avoid the negative effects of deep budget cuts that would harm our economy and health. But we can't lose sight of the long-term. Moving forward, lawmakers should consider progressive, long term solutions to raise revenue and maintain the public investments that benefit all Washingtonians.