



Facts vs. Myths: Understanding Washington’s Millionaire’s Tax (Senate Bill 6346)

March 4, 2026 AI Summary

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This installment of LEV’s long-running “Lunchtime LEVinars” set out to cut through the noise surrounding **Senate Bill 6346**, commonly dubbed the **Millionaires Tax**. The goal: separate fact from fiction, with students asking the questions and policy experts supplying clear answers. “We’ll unpack what the bill actually does,” League of Education Voters CEO Arik Korman said in the introduction, “its projected revenue, who would be affected, and how funds would support K-12 education, health care, higher ed, human services, and public defense — plus the tax relief provisions for small businesses and working families.”

Setting the table: Who’s in the room

A student panel representing the **Association of Washington Student Leaders** introduced themselves — **Diya Babu** of Eastlake High School, **Kaitlin Butterfield** of Reardan High School in eastern Washington, **Royalle Hill-Gonzalez** of Chiawana High School (and ASB president), and **Kaitlyn Forehand** of North Creek High. On the policy side, **Emma Scalzo** of the **Balance Our Tax Code** coalition and **Emily Vyhnaneck** of the **Washington State Budget & Policy Center** brought expertise in progressive revenue and tax design.

What the bill actually does

“Put simply,” Emma said, “a millionaires tax is a tax on income **over** a million dollars, at a rate of **9.9%**.” If you earn less than a million dollars in a year, “you would be exempt from paying this tax.” The design includes a **\$1 million standard deduction per household** and an additional **\$100,000 charitable deduction**. Her practical example landed: if a household made **\$1,000,500**, the tax would apply only to the extra **\$500** — roughly **\$50** owed — and a modest charitable gift that year could zero that out.

Who pays? “Around **20,000** of the wealthiest individuals and households in Washington — **less than 1%** of tax filers,” Emma explained. The tax would apply to **residents** on their Washington taxable income and to **non-residents** on income derived from or connected with Washington (think visiting professional athletes or non-resident owners of Washington businesses whose earnings push them above the threshold). “If you are not making over \$1 million a year, you will never see this tax,” she added.

What about my house?

The question came up quickly: would proceeds from selling a home be taxed? Emily’s answer was unequivocal: **No**. “The value of your home and any amounts that you get from selling your home are actually not subject to this tax,” she said, noting that the Millionaires Tax carries forward **exemptions used in Washington’s capital gains tax**, which excludes residential and other real property from the taxable base. Also, because the tax is on **earnings**, not assets, “your home’s value isn’t part of this at all.”

Safeguards and benefits for small businesses

For entrepreneurs and pass-through owners, Emily walked through a set of protections that work together:

- A **100% credit** for **Business & Occupation (B&O) taxes** paid to Washington — “so you’re not double-taxed.” If your hypothetical Millionaires Tax liability was \$20,000 but you paid \$45,000 in B&O, “you’d be completely zeroed out.”
- An **exemption** for the sale of **qualified family-owned small businesses**, also mirroring capital gains tax treatment.
- Alignment to **federal Adjusted Gross Income (AGI)** so owners deduct ordinary and necessary business expenses first; as Emily put it, “we’re not looking at all the money coming in the door — just the net profit,” which means “the vast majority of ordinary small businesses will not be subject to this tax.”

Because many Washington businesses are **pass-through entities** (LLCs, S-corps, sole proprietorships), the bill also provides an option to (1) receive a **credit** for the owner’s share of pass-through income and (2) claim a **highly beneficial federal deduction** for pass-through entity taxes — a level of detail Emily joked was “wonky,” but vital for accuracy.

Beyond safeguards, the bill includes **pro-small business improvements**: more than **doubling** the small business B&O tax credit and eliminating B&O for businesses with **under \$250,000 in gross receipts** starting in 2029. “These are changes we’ve wanted to see for some time,” Emily said.

From rural eastern Washington, student **Kaitlin Butterfield** connected the dots: “My community thrives on small businesses... it’s so important that the money collected goes toward giving them the tax exemptions from the B&O tax and supporting them in general.”

How much money — and what for?

The Millionaires Tax is estimated to raise **\$3+ billion annually**, starting in **2029** after the state builds the administrative infrastructure (with **2028** as the first effective tax year). “It’s not the whole enchilada that will fund our state forever,” Emma said, “but it’s a really good start at restructuring our tax code.” Revenues would largely go into the **state general fund**, with a carved-out **Local Public Defense Funding Stabilization Account** capped at **\$150 million per year** — a change that shifted mid-session and may still evolve as negotiations finalize.

Two targeted investments resonated with students and families:

- **Working Families Tax Credit (WFTC) expansion** — broadening eligibility to **adults 18–24** and **seniors 65+** without qualifying children, starting with the **2028** tax year (payments in 2029). Hundreds of thousands of households already claim the WFTC; removing age restrictions would extend this cash boost to many who are currently excluded.
- **Sales tax exemptions** for **diapers** and **grooming/hygiene products** (soap, toothpaste, shampoo) beginning in **2029** — a small but meaningful step in a state that relies heavily on broad, regressive sales taxes. “These are things everyday people rely on,” Emily said, “and eliminating the sales tax here can make a real difference.”

Diya Babu pressed on how funds get distributed across education and health: “How do you figure out how much goes where?” Emily explained that the Legislature makes those decisions in the state budget — a **\$76+ billion** general fund in the current framework — with some items **earmarked** and others funded more generally. “That’s why contacting lawmakers matters,” she added.

Addressing the fear of flight

Two audience questions surfaced repeatedly: **Will millionaires just leave?** And **could the threshold drop later?**

On the first, Emily reframed the premise. “We already depend on low- and middle-income people the most,” she said, because uniform taxes like sales tax take a bigger share from those with less. “If you’re making over a million dollars a year, you have the ability to pay,”

and the proposal simply asks the ultra-wealthy to contribute more equitably. Emma added that Washington's experience with the **capital gains tax** offers a clue: despite similar warnings, the state has continued to **add millionaires and billionaires** because it remains a great place to live and run businesses. She pointed to **Massachusetts**, where a voter-approved "fair share" tax did **not** trigger an exodus; rather, millionaires **grew** in number, even as new investments flowed to public services.

Student **Royale Hill-Gonzalez** brought the conversation back to lived reality: his district's **renewal levy failed**, forcing tough choices and potential program cuts. "Something like this could definitely help... the future of kids in my district (Pasco)," he said. Later, addressing the chat's churn about wealthy residents relocating, he reminded the audience that **democracy** is the guardrail: "We are the majority... we all have the duty to make things like this happen."

Could lawmakers lower the threshold later?

"The ultimate answer is **potentially**," Emma said — not because that is the **intent** of SB 6346, but because any future Legislature can revisit tax policy. The broader goal, she emphasized, is to make Washington's upside-down tax code **right-side up** — shifting away from heavy reliance on regressive sales and gross-receipts taxes and toward systems that **factor in ability to pay**. Emily underscored today's imbalance: **low-income Washingtonians pay ~14%** of their income in state and local taxes while the **top 1% pays ~4%**. "That is just so backwards," she said. If reform continues, she wants to see sales taxes come down and B&O taxes move toward **profits** rather than **gross receipts** — big, structural changes that will take time.

Diya asked whether the Millionaires Tax would at least start to **rebalance** the code. "It's a start," Emily replied. "We were once the **worst** in the nation; passing the capital gains tax and the WFTC in 2021 started to move the needle. This is another step, but a fundamental redesign takes sustained work by all of us."

Constitutionality and the road ahead

Is an income tax **unconstitutional** under Washington law? Not per se, Emma explained. The question hinges on whether **income** is interpreted as **property** under state precedent (property is subject to a **uniformity clause** requiring the same rate within a class). For a Millionaires Tax to stand, the **Washington Supreme Court** would need to revisit that definition — a decision only the Court can make.

So, will it pass? "**Yes — with your help**," Emma said, urging attendees to call their lawmakers and sign group letters now, in the **final days of session**. If the Legislature passes SB 6346, she outlined the likely path: the bill goes to the **Governor** (with potential

line-item vetoes), then faces a **lawsuit** testing constitutionality, and almost certainly a **ballot challenge in November 2026**, giving voters the last word.

Closing reflections

By the end, the students' closing thoughts echoed a theme: **misconceptions** drive much of the opposition. "A lot of reasons folks gave for not supporting it were just misconceptions," Kaitlin said. For Diya, the session "cleared up confusion" and showed how the proposal supports "something really important." Royale, who will be 18 by the time the likely ballot battle arrives, committed to voting: "Use your voice... and put people in office who will use these funds the best."

Key takeaways (at a glance)

- **9.9% tax on income above \$1,000,000** with a **\$1M standard deduction** and **\$100K charitable deduction**; fewer than **1%** of filers (~**20,000** households) would pay.
- **Homes and home sale proceeds are excluded**; the tax applies to **earnings**, not asset values.
- **Small business safeguards**: full **B&O credit**, **family-owned small business** sale exemption, AGI alignment, and new **B&O relief** (credit doubled; <**\$250K** gross receipts owe no B&O starting 2029).
- **Estimated revenue: \$3B+ annually** beginning **2029**; largely to **general fund** with **\$150M** for a local public defense stabilization account; targeted **WFTC expansion** and **sales tax exemptions** for diapers and hygiene products.
- **Next steps**: Legislative vote → Governor action → expected **court challenge** → likely **November 2026** ballot. **Constitutionality** turns on how the Court interprets **income vs. property** under the uniformity clause.

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