



A capital gains income tax *is* an income tax – *and why it matters*

Advocates of higher taxes and spending are pushing an income tax, but they don't want to call it that. This isn't a matter of hairsplitting. It conceals the real issue involved in the debate. Is any of this a surprise, after Washington voters have rejected an income tax 10 straight times?



An attempt to stifle honest debate

“Thank you, Mr. President. Our Senate rules ask us to speak to the measure before the Senate. The bill before us enacts an excise tax on capital gains, and not an income tax. So I would ask that you advise the gentleman to keep his remarks to the bill before us.” = Senate Democratic floor leader, during debate on income tax bill, April 21, 2017.

Washington voters hate the income tax. So when tax advocates started floating their latest proposal to tax income from high earners, they decided to call it something else – an “excise tax on capital gains.” **This fiction might make an income tax easier to swallow**, but it's contrary to definitions used by the IRS, by every other state, by our courts, by Webster's dictionary, and plain old common sense.

- **The Internal Revenue Service** considers capital gains taxes to be an income tax: “It is an income tax. More specifically, capital gains are treated as income under the tax code and taxed as such.”
- **Every state that taxes capital gains** (all 40 of them) considers capital gains to be a form of income, and imposes taxes as part of their general income tax.
- **Webster's Dictionary** defines “income tax” as “a tax on the net income of an individual or business.” This tax would be based on net-income calculations from IRS tax returns. (*Merriam-Webster edition.*)
- **Washington courts** have ruled it doesn't matter what the Legislature chooses to call a tax – what matters is how it functions. The state Supreme Court rejected previous attempts by the Legislature to describe an income tax as an excise tax. (*Jensen v. Henneford*, 1935, reaffirmed many times.)

Don't be fooled. An income tax is an income tax.