# Washington

**#47**

| Overall Rank | Corporate Tax Rank | Individual Income Tax Rank | Sales Tax Rank | Property Tax Rank | Unemployment Insurance Tax Rank |
|---|---|---|---|---|---|
| 47 ▼ 1 | 47 – | 36 ▼ 5 | 50 ▼ 1 | 18 ▲ 5 | 49 – |

**IN THE 2027 *Index***

Although Washington's overall rank fell one place, from 46th to 47th, the state improved five places on the property and wealth tax component after reverting the top estate tax rate from 35 percent to 20 percent. The inclusion of digital advertising in the sales tax base, part of a broader expansion of business-to-business taxation of digital products, dropped Washington's sales and excise tax component rank from 49th to 50th. A recently adopted 9.9 percent tax on income above $1 million goes into effect in 2028 and does not affect current rankings.

**FORTHCOMING, NOT YET REFLECTED**

Despite the state's judicial history of ruling against income taxes, Washington lawmakers adopted a new 9.9 percent tax in 2026 on income above $1 million. This tax will go into effect in 2028, likely facing legal questions before then, and significantly affecting the state's future *Index* scores.

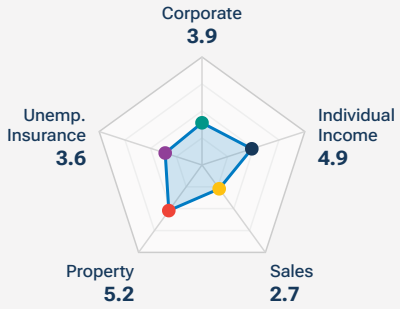
Washington has historically forgone an individual income tax on wage income, which courts and many lawmakers have concluded violates the state constitution, but this is changing. The state recently imposed a tax on high earners' capital gains income, a policy that raised constitutional questions but ultimately secured the assent of the state supreme court. It became a graduated rate tax in 2025, with a top rate of 9.9 percent for gains above $1 million. In 2026, lawmakers adopted a new tax of 9.9 percent on income above $1 million, which will likewise draw legal challenges. The new tax does not go into effect until 2028 and is not included in the current *Index*.

The state constitution has been similarly interpreted as blocking a corporate income tax, but Washington instead imposes a high multiple-rate gross receipts tax, called the Business & Occupation Tax. Because it is based on gross revenues rather than net income (profits), it yields very high rates of taxation on low-margin businesses and leads to tax pyramiding, where goods and services have the tax embedded several times over, imposed on each transaction within the production process.

The state's sales tax, imposed atop the gross receipts tax, is not just a high rate but is also imposed on a base that includes an unusual share of business inputs, particularly in the digital products space. In 2025, lawmakers adopted legislation further expanding digital products taxation and notably including digital advertising in the base, which raises legal concerns along with economic ones. Washington also levies a progressive real estate transfer tax and an estate tax. The estate tax's top rate was briefly raised to 35 percent in 2025, rivaling the 40 percent top federal rate, but lawmakers, acknowledging that the high rate was counterproductive, rolled it back to 20 percent in 2026. High UI taxes and an uncompetitive UI tax structure also contribute to the state's poor *Index* ranking despite the state forgoing an individual income tax, which might otherwise be expected to yield a much more competitive tax environment.

## Component scores

out of 10




## Washington and its neighbors

Overall rank, 2027 Index, with change from 2026

| | | |
|---|---|---|
| Idaho | #13 | ▼ 4 |
| Oregon | #37 | ▼ 1 |
| **Washington** | **#47** | ▼ 1 |