

The Taxcast: June 2026: Wealth Tax Wave in the USA

Naomi Fowler: Hello, and welcome to the Taxcast from the Tax Justice Network. It's our podcast about corruption, tax abuse, financial secrecy and how we fix it. I'm Naomi Fowler. In this episode, wealth taxes in the USA:

William Rice: I sense a growing wave. Polling shows that Americans of all political stripes, even Trump voters, think there should be higher taxes on wealthy people and corporations. So it's really a matter of the politicians catching up to where the people already are.

Naomi Fowler: We're going to take you to one of the US's most *tax unjust* States that's on the cusp of a big change.

When it comes to tax justice in the United States, it's a bleak picture for sure, but there are *some* reasons to be hopeful. On the one hand, federal or central government policy under Trump has been to cut, and cut *radically* the taxes that the very wealthy and corporations pay. But on a state level, some senates and assemblies are using their power to do the opposite.

Before we get into the kind of movement for wealth taxes that seems to be spreading across that country, let's have a quick look at how the US system works on a federal level versus a state-by-state or local level. Here's William Rice of Americans for Tax Fairness:

William Rice: The United States has a federal system, so in addition to the federal government, every state has a legislature and an executive, and they have very wide taxing powers. In fact, I don't think there's really any limit that the federal government places on the ability of states to, to tax themselves.

There is a wide variety of taxation in the states. There are some states that have no income tax and have no sales tax and rely entirely on property taxes. There's some states that not only have income taxes and sales taxes, but have estate taxes and corporate taxes.

But with the approval of the state government, certain cities and counties can even have income taxes. So there's a lot of different ways that people can be taxed in this country. So states have wide taxing authority and in some ways even wider than the federal government.

Naomi Fowler: In theory it's possible that a person could be taxed on their income twice? I mean could they be taxed by the federal government and taxed by the

William Rice: Yes.

Naomi Fowler: by the state on their income?

William Rice: Yes, and that does happen. I, I live in the District of Columbia, which is a, a special district, but they, they have taxing authority, and I, I pay tax both to the federal government and to the District of Columbia on the same income, yeah. And that's not viewed as double taxation because they're two sovereign entities.

Naomi Fowler: I didn't know that. So, um, in theory do they interact in some way? Do you have some types of rebates balanced against what

William Rice: Yes. Yes.

Naomi Fowler: on your income in the...

William Rice: On the federal system, you are able to deduct a certain amount of your state and local taxes from your taxable income, on the federal level.

Naomi Fowler: Wow. That's really interesting, I didn't realize that. So I mean, people's expectations should be pretty high if they're paying to two different places, right? You'd be expecting some pretty amazing public services!

William Rice: (Laughs). Um, I guess so! And, and that's why there are, there have been these tax revolts over the years in California, specifically on property taxes, and certain states like New Hampshire, it's one of those states that has no income tax and has no sales tax and relies entirely on property taxes.

But in general, the states that have a robust tax system have been wealthier and its populations have done better than the low tax states because they have the money to invest in roads and schools and healthcare and all these other things. There are a lot of Sunbelt states now that, like say Florida, Florida has no income tax, um, they attract a lot of wealthy people because of that but they don't necessarily rank very high in terms of educational outcomes and things like that.

Naomi Fowler: When we talk about wealth taxes, there are all kinds of them, but we can generally think about them as taxes on assets and/or taxes that target high incomes. Back to William:

William Rice: Every state, I believe, and their localities in addition have property taxes, and that of course is in essence a wealth tax. It's a wealth tax on what for most families is their most valuable possession, which is their home. Billionaires pay that on their home or homes in various states. But for them, where they live, their house is *not* their most valuable asset. Their most valuable assets are financial, stocks and bonds and other financial assets, and those are not taxed at all.

Naomi Fowler: Exactly, yeah. When you have, you know, an army of accountants and lawyers and wealth managers, you can actually kind of manoeuvre around so many things.

You've been monitoring all the progress around wealth taxes across the, the country, or which State policy do you feel is the most, I guess, goes the furthest or is the most successful example?

William Rice: The only real wealth tax that is a tax on *assets* rather than income that's on prospect is in California, where they're gathering signatures to have a referendum on whether to tax the state's billionaires with a one-time 5% wealth tax. It's estimated it would raise around \$100 billion based on the State billionaires' collective fortunes of over \$2 trillion. That would be used primarily to replace the federal healthcare funding that had been lost because of the law the Republicans passed at the federal level last year.

Naomi Fowler: He's talking about Trump's so-called 'Big Beautiful Bill' which was primarily a tax cutting bill leading to a huge fall in federal tax revenue.

William Rice: But of course, wealth tax can also refer to wealthy people with high incomes 'cause the two often go hand in hand. So among the new state taxes on super high incomes, the most aggressive is Washington State, and it's supposed to raise \$3.7 billion in revenue every year.

Naomi Fowler: What's happening in Washington State is particularly interesting because it's suffered for a long time from unfair and ineffective tax policy. This is Evan Walker of the Washington State Budget and Policy Center:

Evan Walker: Washington State has what we call an upside down tax code, meaning that the people with the lowest incomes pay more of their income in

state and local taxes than the richest and wealthiest earners in Washington. Those in the lowest, quintile are paying more than four times their share of their income in state and local taxes than the wealthiest residents.

Naomi Fowler: Until recently, the Institute on Taxation and Economic Policy ranked Washington State the most regressive in terms of tax policy out of all 50 US states.

Evan Walker: Washington was ranked 50 until a couple of years ago when we passed the, uh, capital gains tax, And then, we put money into the Working Families Tax Credit program, it's a tax rebate essentially, so folks are just getting money that they've paid in taxes back to them.

Naomi Fowler: That's life-changing stuff. This is redistribution, one of the five 'R's of tax. It's what tax can be so good for. One of the reasons Washington State ranked so low for so long was because it relied on sales tax, and that's something that tends to happen in tax havens too. In Washington State, it all goes back to a court ruling on the wording of the Constitution quite a long time ago:

Evan Walker: Our state's current tax structure is from out of the Great Depression. In the 1930s, our state supreme court ruled that income is considered property, and so therefore all property needs to be treated equally. And so that means that there really isn't any space to have a graduated income tax, that, that just isn't allowable. If there were to be an income tax in Washington, it would need to be the same percentage on every single person.

Naomi Fowler: Ideally, the Washington State Constitution needs to be changed to address modern times and modern needs. But that's very hard to do because a constitutional amendment must be approved by a two-thirds majority in both the Wash- two-thirds majority in both the Washington House of Representatives and the Senate. Then it has to be ratified by a simple majority of voters in a ballot.

Evan Walker: That's why we've had to rely on retail sales tax, a business and occupation tax, which is a tax on gross receipts from businesses, property taxes, and then several other, a handful of taxes. So there is a state tax, it's 6.5% and essentially each government entity has the ability to add on up to, up to a 1% tax as well. I live in Tacoma, which is within Pierce County. The effective sales tax that I'm paying, I think, is between 10 and 11%. So what I'm paying here might look very different from like, people that are in more rural Washington.

Naomi Fowler: That's because there are less services in those rural areas. But now sales taxes just aren't matching the needs of people in the state.

Evan Walker: Since the late 1960s, the spending on taxable sales really continues to decrease over time due to the state's changing economy. There are more non-taxable services like spending in housing and healthcare and education that more people are just spending their money on. If somebody's income increases 10 times, not everybody's spending 10 times more money on things, and so that means that the amount of revenue that's coming in isn't increasing with their income as well. When there are impacts to the economy where maybe people aren't spending that much that means that there's gonna be a significant impact to state revenue. And so that continues to show us that our tax code is really just unsustainable.

Naomi Fowler: When you add to *that* the effect of the *federal* cuts by the Trump administration favouring the wealthy and corporations, that's meant huge cuts to social safety net programmes. In Washington State, it's having a devastating impact.

Evan Walker: In Washington, up to three hundred and twenty thousand people are at risk of losing their Medicaid coverage due to changes in eligibility rules. Medicaid is a vital program that provides healthcare coverage to people with limited resources so this means that when there's a cut to Medicaid, people might lose access to their medication, essentially their medical care team and general healthcare supports. And they would need to pay out of pocket for medical care that in the US is really expensive. And so I think we've also seen that people forego going in to the doctor and seeking support and then about a 129,000 have been estimated to lose their Supplemental Nutrition Assistance Program, or SNAP benefits due to new harsh work requirements. SNAP provides food benefits to supplement people's income to ensure that they have access to the food that they need.

Naomi Fowler: It's not just Washington State. Across the nation, an incredible 42 million US Americans have been relying on basically help to eat every month.

Evan Walker: And loss of access to this programme, Medicaid and other programmes like ones that aid in covering the cost of childcare or supplementing the cost of rent, means that people are essentially having to make really difficult decisions on where to spend their time and money. Experiences are being made worse due to the rising costs of living, due to inflation. And also wages don't rise at the rate that the cost of living is increasing to. I've seen

grocery bills go from like \$100 to now \$250, and it, it just feels like really out of control. And this is just like buying food to make dinner, like nothing extravagant. People are having to make really difficult decisions on what food to get, especially when rent is due and other bills are due. People are put into a really impossible and, and distressed positions right now.

Naomi Fowler: So, Washington State desperately needed more tax revenue. The state was facing a multi-billion dollar spending gap. Apparently even affluent school districts have gone bust because of a lack of funding. Not for the first time, some politicians in Washington State tried *again* to pass a wealth tax:

Evan Walker: Most recently, including the last two legislative sessions there was the wealth tax, and this is a tax that would only apply to people with Wall Street wealth, so that's stocks, bonds, and mutual funds. A person's first 50 million would be exempt, and then what would get taxed is everything after 50 million. This would only apply to around 4,300 ultra wealthy folks in Washington, and the tax rate would be 1% or less on everything in excess of 50 million. And the revenue for this would have gone to funding public education, and the anticipated revenues from this tax were expected to be between one to \$4 billion so, you know, a pretty significant support for our tax code.

Naomi Fowler: Sadly, this attempt failed.

Evan Walker: Those who've received special deals from our tax code, so big companies, they got into the fight to prevent this from passing. Microsoft, Amazon, T-Mobile, and other big businesses spent a lot of money and used political influence to sway legislators away from the wealth tax. And so that tax didn't move at all this legislative session.

Naomi Fowler: But Washington State's legislators didn't give up. They introduced another proposal, called the 'millionaires tax.' And despite the controversy these attempts seem to stir up, Evan says many of Washington State's wealthy people actually *want* to be taxed more.

Evan Walker: I think we're being put in this situation right now where everybody who has money doesn't wanna be taxed. That's just not true. I think people wanna be able to contribute to their communities. They wanna make sure that folks are taken care of, you know, that's another important thing to think through.

Naomi Fowler: So it sounds like that multi-billion dollar spending gap has really been in *everyone's* faces. Even what they call the business community

seems to have been broadly supportive at the latest *successful* attempt to pass a wealth tax. Maybe they just accepted the inevitable. Maybe they decided to negotiate the best terms they could for themselves. Or perhaps they just decided to put their energies into a court appeal. Because now Washington State has broken through its old taxing traditions and what's known as the 'Millionaire's Tax' has been passed and signed into law. It's a marginal tax just on income that goes above the level of one million dollars a year. Barely noticeable for those that'll be paying it.

Evan Walker: The millionaires tax is an important part of capturing the changes in our economy by taxing the ultra-wealthy. This tax is a 9.9% tax on household earnings over \$1 million per year. So, if a person makes a million five hundred dollars in a year, then the \$500 is what gets taxed at the 9.9% rate. So that means that they would effectively pay \$50 in tax that year. It's estimated that about 20,000 households will pay this tax, about 1% of our total state population. So it's a really small group of people. This tax is applied to people who live or work in Washington state. So for Washington state residents, the tax applies to all taxable income and then for non-residents it means this tax will apply to the income that is generated in Washington.

Naomi Fowler: So, some progressivity in Washington State's tax system has finally come.

Evan Walker: We're in a moment of needing progressive revenue tools, and that will hopefully help sustain our general fund revenue, I think just legislators recognizing that a progressive tax like this would, again, hopefully be a bit more sustainable and bring in the money that we need. And then also they weren't gonna get pressure from top corporate entities. As legislators were receiving reduced pressure, they got buy-in from our governor, Governor Ferguson, and consistently were making appeals to how the revenue from this tax would help affordability. And so I think kind of just this moment that we're in right now of having state budget deficits and really needing to find a way to get, you know, \$3 to \$4 billion, they really wanted to, to make this happen. And I think this is a part of a larger movement to change our tax code. Our hope is that we make a tax code that is more progressive. And we really see the millionaire's tax as a first step to doing that.

If this tax sustains ballot initiative challenges and survives a challenge in our state supreme court, the tax would go into effect in 2028, which means that the first collections will be in 2029. The bill was passed and by the legislature, and then it got signed by the governor, so it's been made law. And now what will

happen or what has already started to happen is there are lawsuits that are saying that it's unconstitutional.

Naomi Fowler: I imagine they'll argue that implementing the millionaire's tax contravenes the Washington State Constitution that was finalised and drafted in 1889, ratified by the territory's *male* voters, which says all property should be treated equally. It's called the Uniformity Clause. The court ruling Evan mentioned earlier back in the 1930s defined income also as property, which is what's likely to feed the court challenges.

Evan Walker: We're in the like, lawsuits are beginning stage, and then there is a campaign to also bring it to the people through ballot initiative.

Naomi Fowler: That means citizens would vote on it directly in a referendum.

Evan Walker: And so they're essentially gathering signatures right now to bring it to the ballot. They need signatures from folks to be able to put it on the ballot for the election this November and then also simultaneously, I think the Supreme Court hasn't, or our state Supreme Court hasn't determined when they'll start hearing any cases. Depending on how the judge rules, it'll probably get appealed. Then once it gets appealed, it could go to the state court of appeals or state Supreme Court. There's so many variables. There's just gonna be a lot of justices that are either retiring or not seeking re-election and so therefore the governor has appointed a few, and there will be a few new ones coming in. And I think just depending on, like, the, the urgency that the state Supreme Court decides, they'll either just say, "Okay, we'll skip the court of appeals, and we'll just hear it," or, you know, that process is to be determined.

But essentially, the initiative that people can vote on isn't official yet, and there just have been lawsuits made in superior court. It's still starting, but the ball is definitely rolling for sure, I mean there's a lot of misinformation that, "Oh, you know, it's gonna be a millionaires tax today, then we're going after you tomorrow." And I think we're just really prioritised on the millionaires tax today and just saying like, "Hey, this is actually what it's about right now. This is what was passed. And so let's focus on what this is and why this is helpful in making sure we have a sustainable budget and tax code."

Naomi Fowler: If this millionaire's tax survives court challenges, it really will lift a lot of people out of desperate times.

Evan Walker: It was decided that a portion of the revenue generated would go to the Working Families Tax Credit program, a state earned income tax credit.

There's an age expansion, so it goes to those that are a little bit younger and working, and then those that are a little bit older and working, and especially those who might not have dependents. It would expand to the income amount that people can make, so that means that more people would qualify for it. The expansions cover over one in five households in the state and so this is a direct cash rebate, so this is really just a cash boost you know, a couple hundred dollars to maybe a bit more than \$1,000. I think it is a really big help for folks, especially, as costs are rising. The difficult decision-making that folks face when needing to spend money, this helps to alleviate those issues.

Additionally, with the small- or with the sales tax exemptions, this, common items were exempted. So this looks like over-the-counter drugs, diapers, and grooming and hygiene products.

Naomi Fowler: For Evan and their colleagues at the Washington State Budget & Policy Research Center, the 'millionaires tax' is part of a bigger change in the state

Evan Walker: We're committed to continuing to argue for why progressive revenue tools that actually tax people's ability to pay are just so important and how we just need to move in this direction. And then there are so many levers that our state legislature can pull in the meantime to make our tax code less regressive. We need a more sustainable tax structure that reflects the economy and the values that we have today, and not the ones that were existing in 1933 or 1935.

And the real impacts of the millionaires tax, like sales tax exemptions and small business exemptions, investments in education, working families tax credit expansions, these are all things we need to prioritise regardless of what happens with this 'millionaires tax.' And so I think really we are focused on how do we continue to just provide different options for making our tax code more progressive.

Our argument is that the ultra-wealthy have gotten away with constructing our tax code in ways that serve them. People are really frustrated with the current structures of taxation and so I think we're just really trying to move toward a value system that recognises we need to come together through a system of taxes and ensure that we can support each other and make sure that we're all well taken care of.

Within the past five years, momentum has grown nationwide to establish a distinct millionaire's tax. 41 other states tax individual earnings over \$1 million per year.

Naomi Fowler: So, big changes in terms of wealth taxes in states across the US *are happening* despite Trump's federal tax cuts for the wealthy and corporations. Back to William Rice of Americans for Tax Fairness.

There are always so many efforts to, try to pass wealth taxes and, uh, everyone gets excited and then they fail. But there's been a few breakthroughs, 'cause we've seen Washington wealth tax, uh, Maine has brought one in, California is in the process of hopefully bringing one in. What's your perception of this progress, how do you see it?

William Rice: I sense a growing wave, both at the state and federal level for this kind of taxation, for more effective taxation of high wealth and high income people, and large corporations. Polling shows that Americans of all political stripes, Democrat, Republican, Independent, even Trump voters, think there should be higher taxes on wealthy people and corporations. So it's really a matter of the politicians catching up to where the people already are.

The reason that things are moving more in the states right now is just that it's, it's impossible to move at the federal level because the Republicans have as a central ideology, never raising taxes on wealthy people.

And so the states in which the Democrats are in control have the opportunity to test out some of these ideas, and I think that's going to add to the momentum for this movement.

Naomi Fowler: Why is it becoming more possible for, say, Democrats, which tends to be the more pro-tax party, why are the circumstances different now after all these years of people trying to do this before and failing?

William Rice: I think there's several things going on. I think the billionaire class has become so prominent, so preeminent around the world, but especially in the United States. Their involvement in our campaign process through huge contributions that are unchecked and unregulated. Elon Musk's foray into the federal government last, last spring. I think there's a real resentment building up about this class of people who seem to be outside the normal consequences of daily life, making their own rules. I think that they've become an emblem of, of wealth and high income.

And at the same time like in a lot of countries, ever since the COVID bottlenecks, we've been dealing with the affordability crisis so people find themselves struggling to pay for things like groceries and rent. And yet they see the very wealthy buying more and more yachts and private airplanes and all that kind of luxury.

An even more immediate cause is that the Republicans and President Trump last year went in the opposite direction in passing a tax and spending law that was mainly beneficial to the very highest income people. And they partially paid for that by cutting public services, federal aid to states on things like healthcare and nutrition assistance. And so states just need more money to try to make up for that, uh, loss of, of federal dollars. And given where public opinion is, going to the rich makes the most sense.

Naomi Fowler: On the state level, there's so much activity going on around trying to tax income or assets or both, there's a lot of activity which is really the opposite of what's happening on the federal level.

William Rice: There's a lot of activity, but the type of activity varies depending on which party controls the state government. And so in Republican-held states there's a lot of tax cutting going on. But in Democratically held states, there are these initiatives going on at one level or another. In California, in Colorado, where they're trying to move from a flat tax to a graduated income tax. Connecticut is considering a millionaire's capital gains and dividends surtax. Maine did a millionaire's surtax, 2% surcharge on income over a million dollars and Michigan is trying to do that to a 5% surtax on income over a million dollars. So it really depends on which party is in control of the state house and governor's mansion. And if Democrats are in charge of both, there's a better chance for progressive tax action. Although it's not guaranteed because Democrats, over the decades of Republican messaging on this issue, have become kind of cowed and worried about being tagged as the pro-tax party, they think that that's bad politics. But polling shows that more progressive taxation on the rich and on corporations is extremely popular. So it doesn't actually take a lot of political courage to come out in favour of these things. I think we're gonna see more and more.

At the federal level, it's just the wrong party's in charge. Almost everyone in Congress, every Republican Congress has taken a pledge with an organisation called Americans for Tax Reform, which really just means organisation against taxing rich people. But they've taken a pledge never to raise taxes on the rich or on corporations, even in times of war or, or national emergency. So the anti-tax ethos of the Republican Party is a much more bedrock one than the pro-

progressive taxation cause on the Democratic side. But that's slowly changing. That's what I feel is changing.

I'll also say the state actions can provide useful information in both a positive and negative sense for other states and for the federal government. A Supreme Court Justice one time called the states the laboratories of democracy. So they're a place where you can try things out and see how they work and find out what the pitfalls are and what the unexpected benefits are.

For instance, the surtaxes on millionaires and other super high income people, Massachusetts was a pioneer in that, having imposed a, a millionaire's tax a few years ago. It disproved a couple of things. First of all, it raised more money than expected. And secondly, and I guess related to that, was there was not the wealth flight that people had predicted and warned about. Millionaires did not flee the state, I think they even picked up some. So there's a lot of things that the federal government can learn from the states for when conditions change politically and there's a chance for progressive reform on the federal level.

Naomi Fowler: Yeah, that's really interesting. And also states are looking at what other states are doing so they're creating precedents when you see good practice in this area and, uh, you know, you s- you really see benefits. What sort of things need to happen, not just on a state level, but on a federal level, I guess, to see more of this happening?

William Rice: I do sense a slowly building wave for progressive tax reform at both the national and state levels. There's support among liberals, conservatives, independents, moderates, everyone, even Trump voters, for higher taxes on the rich and, and on large corporations.

What it will take at the federal level is for the Democrats to take control of at least one house of Congress. That's what it'll take to get, progressive tax reforms passed at least by that chamber. And there are sure to be, tax reform bills, passing the House or the Senate. If Democrats take both, then potentially passing Congress entirely of course then it will run into President Trump and his veto, so it won't be possible to actually enact these plans. But there are a lot of them. There's a millionaire surtax on the federal level. There are billionaire wealth taxes, billionaire income taxes, estate tax reforms. There are a lot of bills to choose from, for whenever the Democrats are back in charge in one or both chambers of Congress. And at the same time, I think more states are going to adopt their own wealth and high income taxes, based on the examples they see from their fellow states.

And Massachusetts, again, has already provided this function, and I think a lot of states have benefited from it. And now Washington State is doing the same thing, and Maine. As long as there are Democrats in charge in these states, there's a chance for more progressive tax reform at the state level.

Naomi Fowler: What's your personal reaction to having watched this unfold and going up and down hills, and being on plateaus with this type of thing, sort of fighting such a long time for tax justice?

William Rice: I think like any large social movements, it's easy to get impatient because our timeframe is relatively short. If you look back at any kind of big social movement, it's been measured in decades, not in months or years. And the other thing that I've noticed as an amateur historian is once that wave builds to a sufficient height, there's no real stopping it either, and there's going to be a change. Now, it won't necessarily be exactly the change that you were anticipating or that everyone wanted, but, I think that that building process is going on right now. I think billionaires are making themselves less and less popular. Large corporations the same way by raising prices and holding down wages. This *is* going to break at a certain point, I can't tell you exactly when, but I think in this country at least, I'd be extremely surprised if the next time there's a Democratic President in Congress, we don't have substantial tax reform that results in higher taxes paid by the rich and by large corporations.

Naomi Fowler: Let's hope so. That's it for this episode. It was co-produced with Leo Schick. Thanks for listening. We'll be back with you soon. Bye for now.