

McClatchy Washington Bureau

Posted on Sun, Oct. 24, 2010

One rich guy who wants to pay higher taxes: Bill Gates Sr.

[Brad Shannon](#) | Tacoma News Tribune

last updated: January 18, 2011 07:24:02 PM

Bill Gates Sr., the retired lawyer and wealthy father of the Microsoft co-founder, thinks Washington state's tax system is out of whack and needs repair.

The poor pay too much tax, the rich pay too little, Gates says. And the school system, which is such a springboard for future economic growth in high-tech Washington, suffers with too little funding because the wealthy aren't paying their fair share of the investment, he says.

Gates' solution — an income tax on adjusted earnings that exceed \$400,000 a year per couple or \$200,000 for an individual — is drawing protest from Washington business leaders and owners, as well as anti-tax allies such as Tim Eyman, who says the phrase "income tax" is politically toxic in Washington.

Initiative 1098 would give tax credits to an estimated 80 percent of Washington-based businesses and would cut the state share of property taxes by 20 percent for businesses and homeowners. Critics say I-1098 would harm the economy by taxing earnings of people who own the businesses — money that most likely would put people back to work.

The Defeat 1098 campaign also says an income tax on 38,400 of the state's highest earners would erase one of the state's competitive advantages and could drive away entrepreneurs. Even Gov. Chris Gregoire's Commerce Department has touted the lack of an income tax in its national magazine pitches about Washington's business climate.

Gates sponsored I-1098 and donated \$600,000 to Washingtonians for Tax Relief to show he means it. He has been featured in television ads in which children toss balls and knock the kindly faced older man into a dunk tank — in effect "soaking" a rich guy who doesn't mind.

Gates rejects his opponents' complaints. He calls Washington's tax system "dramatically regressive," something he and others say they proved in 2002 when he led a commission created by the Legislature to study the state tax system. The commission recommended replacing a large portion of the sales tax or property tax with an income tax that would rebalance the tax load.

More recently, Gates cites data from the national Institute on Taxation and Economic Policy that show Washington's poorest 20 percent of earners pay the equivalent of 17 percent of their income in sales, property and other taxes. By contrast, the wealthiest 1 percent pay less than 4 percent of their earnings in taxes.

And the gap between rich and poor tax burdens is more dramatic here than in California, Oregon or Idaho, three nearby states with income taxes that take a larger bite out of earnings than anything in I-1098, Gates says.

"It's not a matter of picking on someone," Gates said last month. "It's a matter of correcting to some extent a bad historic situation and arguing — I think absolutely persuasively — that this is a proper source for a serious financial shortfall in our operations, namely the public education system."

The two sides in the debate have raised more than \$11 million, making this one of the most expensive initiative fights in history — but not the most expensive this year (a repeal of taxes on soft drinks is most expensive). A recent Washington Poll showed I-1098 was failing by a 42 percent to 51 percent margin, wider than the survey's margin of error.

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