

2026 State Legislative Session Impacts to the County Budget



Budget and Fiscal Management Committee

March 25, 2026

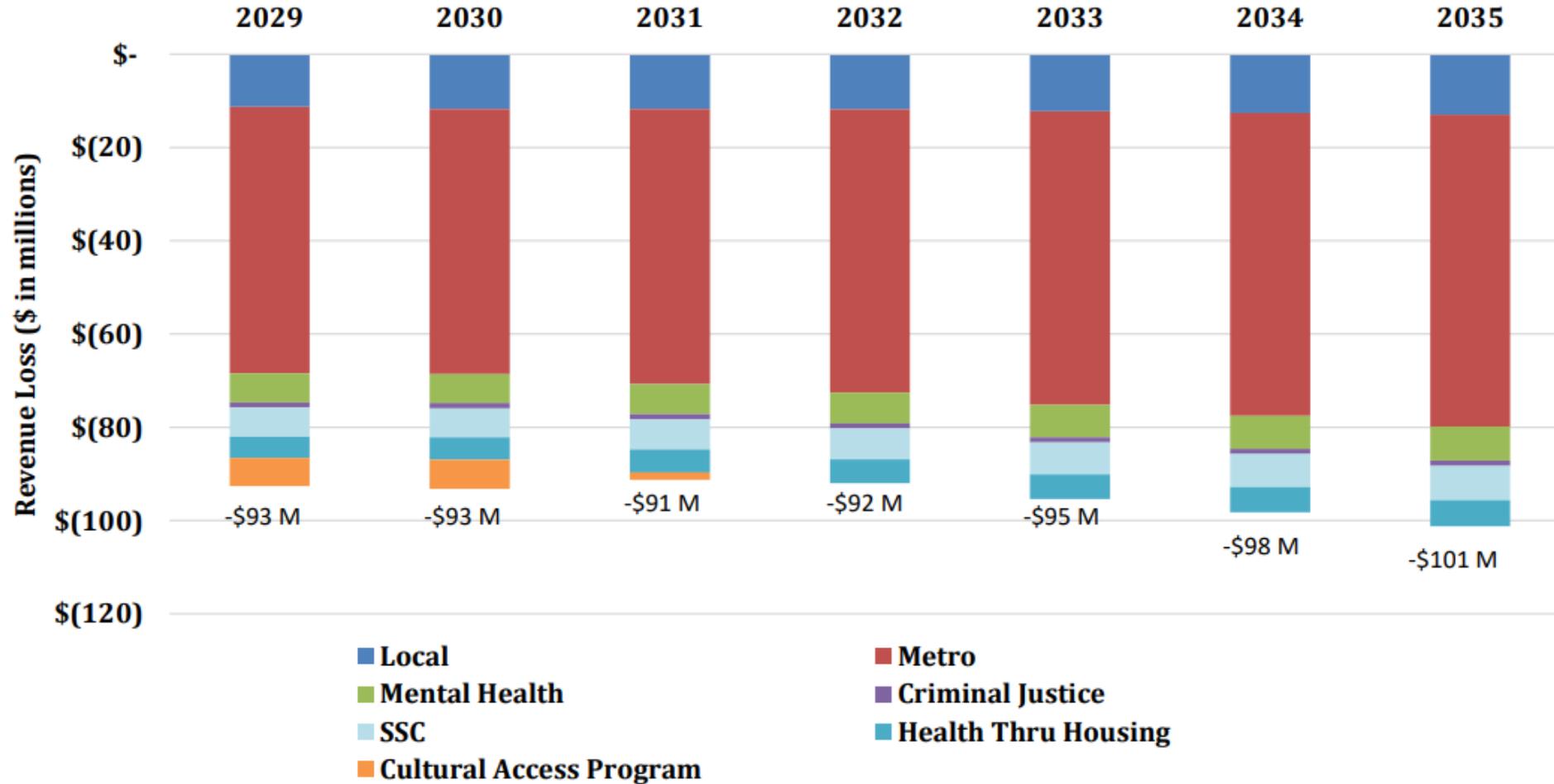
Millionaire's tax (SB 6346)

- Imposes a 9.9% tax on individuals on the receipt of income exceeding \$1 Million beginning in calendar year 2028
- Revenue:
 - 5% set aside for Fair Start for Kids Act
 - Expands eligibility for the Working Families Tax Credit
 - Expansion of small business tax credit
 - State General Fund
- Sales tax changes:
 - Repeal of SB 5814: Repeals sales taxes on certain specified services which were enacted in 2025, effective January 1, 2029
 - Creates sales tax exemption for diapers, over the counter drugs, and grooming/hygiene products, effective January 1, 2029
 - Exemption of certain activities from definition of live presentations that are subject to retail sales and use tax, effective July 1, 2026

Millionaire's tax (SB 6346)

- Sales tax impacts across local governments:
 - WA Department of Revenue fiscal note:
 - Counties FY 2030: -\$149M
 - Cities FY 2030: -\$118M
 - Special Districts FY 2030: -\$126.3M
- Impacts to King County
 - Estimated sales tax loss in FY 2029: \$93M across all funds (Local, Metro Transit, Mental Health, Safe & Stable Communities, Criminal Justice, Health Through Housing, Culture Access Program)
 - KC Metro sales taxes are most impacted: loss of \$57M in 2029, grows to \$67M by 2035

King County Sales Tax Losses If Retail Sales Base Expansion Is Repealed



Millionaire's tax (SB 6346)

- **Local revenue loss mitigation?**

7 (12) The legislature finds that local government revenue sources
8 are limited and unable to keep up with rising costs. The legislature
9 further finds that many of the tax reductions that help
10 Washingtonians have an impact on local government revenues. To offset
11 some of those impacts, the legislature intends to create a city and
12 county fiscal health account for future transfers from the general
13 fund to mitigate a portion of the revenue loss to local government.
14 Such transfers will be unrestricted and available for general use.

Millionaire's tax (SB 6346)

- Look to state operating budget, 4-year outlook:

	2025-27		4-Yr Total
	NGF-O	Total	NGF-O
<i>General Gov't, Judicial, & Legislative Agencies</i>			
Self-Insurance Liability Premium	956,061	2,202,736	1,000,773
Working Families Tax Credit Expansion	0	0	230,634
Local Government Fiscal Health	0	0	200,000
OneWA AFRS Replacement	84,773	241,586	93,228
Debt Service	0	0	86,178

Millionaire's tax (SB 6346)

- **Local revenue mitigation—what does it all mean?**
 - Legislature indicated plan to create mitigation fund for cities and counties
 - Funding level \$200M/year, state general fund dollars
 - Distribution formula: not defined, will need to work with local government partners
 - Not full mitigation—about 75 cents on the dollar
 - Flexible dollars—available for general use
 - Appropriated—will need to fight for the amount in every budget, and amount can change in every budget

Local Revenue and Fund Flexibility (HB 2442)

New revenue options

- **Sales tax for children and families (0.01%)**
 - Start collecting January 1, 2027
 - Councilmanic
 - Cities and counties eligible
 - Maximum combined rate of 0.01% (county must provide credit against county tax for the city tax)
 - Revenues used solely for purposes of providing additional services that assist children and their families
 - New 0.01% sales tax would generate about \$10M annually countywide
- **Public health clinic property tax**
 - \$0.05 per \$1000
 - Operation, maintenance, and capital expenses of public health clinics
 - Counties eligible
 - Countywide \$0.05 levy would generate \$40-\$45M annually

Local Revenue and Fund Flexibility (HB 2442)

Existing fund flexibility

- **Real Estate Excise Tax 2 (REET 2)**
 - Revenue can be used for abatement of nuisance properties
- **Health Through Housing sales tax**
 - Revenue can be used for rehabilitation of existing affordable housing, operation and maintenance of supportive housing, and rental assistance.
- **Rental car sales tax**
 - Revenue can be used to support criminal justice programs
- **Flood Control Zone Districts**
 - Revenue can be used to provide flood recovery assistance to households and businesses damaged by flood events.
- **State-shared sales tax**
 - Revenue can be used for both new and existing affordable housing units

Specific supplemental budget items

- **KC Metro**

- Repurpose \$10M in Move Ahead Washington funds from South Annex Base to Central Base Campus electrification
- \$12M for Revive I-5 mitigation, from federal fund exchange
- \$3.12M to Metro for pilot project providing free transit to community and technical college students

- **Public Health**

- Ongoing loss of vapor tax revenue from SB 5814 (passed in 2025)
- \$292K increased funding for King County Airport Air Quality and Asthma Project

- Waiting on Governor's signature ([Bill Actions](#)):
 - Millionaire's Tax
 - HB 2442
 - Operating, Capital, Transportation budgets
 - Has 20 days from end of session (March 12), excluding Sundays
- Questions?