

2026 Legislative Session Preview

The Washington State Legislature will convene on Monday, January 12 for the short 60-day session. This year is the second year of the two-year legislative biennium. Each biennium is comprised of a long session (105-days) and a short session (60-days) in which bills may be enacted into law. One of the primary tasks of legislators during a long session is to pass the state's biennial budgets (operating, capital, and transportation). During a short session, the Legislature adopts supplemental budgets that are generally minor adjustments to the biennial budgets passed in long sessions. Also, bills that did not pass last year will be automatically reinstated and alive again during the 2026 session.

The major issue looming over Olympia continues to be the state's fiscal challenges, as the state is facing another budget shortfall – currently projected at \$1.6 billion. This is after the state entered the 2025 session with a \$16 billion shortfall, where the legislature cut billions of dollars from the state's budget and passed a \$9.4 billion revenue package to address problems last year. Ways & Means Chair June Robinson recently notified legislators that she would not be conducting budget requests from members, given the lack of funding available.

Given these continued fiscal challenges, there has been a renewed effort by some Democrats in the legislature to discuss structural changes to the tax code and additional progressive revenues for the 2026 legislative session, with the leading idea being a state income tax on high earners. As described, the proposal would be a 9.9% tax on income above \$1 million. However, this tax is not an answer for the near-term budget shortfall, as revenue from this tax – if passed – would not be realized for several years, as most agree that the tax would need to withhold a court challenge and be decided on by voters on the ballot.

While budget and revenue proposals are expected to dominate the conversation again in Olympia, other pertinent topics for the 2026 session include housing affordability, transportation preservation and maintenance, artificial intelligence, and energy production and transmission issues. Also, the 2025 tax legislation that passed in April – specifically SB 5814 which extended sales tax to several activities and services – will need some clean up as the last-minute nature of that bill created significant uncertainty as to how the new taxes should be applied by the Department of Revenue.

Governor Ferguson Releases Budget Proposal, Supports High-Earners Income Tax

On December 23, Governor Ferguson released his budget proposal to the legislature. While this is common practice ahead of the legislative session, this is the first budget proposal we have seen from Governor Ferguson, who in his press release states that his budget does

not raise taxes but ends some tax breaks, and maintains core government services. Due to caseload increases and other costs, the state faces a \$1.6 billion shortfall as mentioned above, and in September, state agencies submitted an additional \$2 billion in budget requests to the Governor described as critically needed. The Governor funded \$700 million of those agency requests, leaving a \$2.3 billion problem to solve. The Governor addresses this problem by ending two tax exemptions on large corporations, making significant reductions to state agencies, fund transfers, and utilizing \$1 billion from the state's rainy-day fund. The legislature will consider the Governor's budget proposal as they work on their own supplemental budget proposals in the coming session.

During the Governor's budget release, he also came out in strong support for the "millionaires' tax," which would be an income tax on those who make more than \$1 million in income in a single year (as mentioned above). The Governor noted that he hopes this tax will be adopted in the upcoming 2026 session. This issue of a high earner's income tax has been a hot topic of discussion lately, and discussions will start in earnest as the legislature will convene in the coming days.

Important Session Dates:

- February 4, 2026: House of Origin Policy Cutoff
- February 9, 2026: House of Origin Fiscal Cutoff
- February 17, 2026: House of Origin Floor Cutoff
- February 25, 2026: Opposite House Policy Cutoff
- March 2, 2026: Opposite House Fiscal Cutoff
- March 6, 2026: Opposite House Floor Cutoff
- March 12, 2026: Last Day of Session