## 2026 Election Analysis

Two weeks into Washington's mail-in ballot count, the scale of the Democratic victories is evident.

- **House:** Backed by a favorable national climate, Democrats secured a two-thirds supermajority, holding a 68-30 advantage. Democrats also lead in one additional race that remains too close to call, which could give them a 69th seat.
- **Senate:** Democrats are likely to keep their 30-19 majority. One Republican-held seat remains too close to call, but it is likely to stay with Republicans.

All nine Democratic pickups occurred in traditionally Republican districts, demonstrating the party's expanding geographic reach. Progressive Democrats also defeated moderate and business-oriented candidates in intraparty contests, accelerating an ideological shift that will significantly influence the 2027 legislative agenda.

### I 645 Millionaire's Income Tax

Voters rejected Initiative 645, which sought to repeal Washington's newly enacted millionaires' tax—a 9.9% tax on annual individual adjusted gross income exceeding $1 million. The outcome reinforces progressive Democrats' belief that voters support higher taxes on wealthy households and could encourage additional revenue proposals.

The tax's legal future, however, remains uncertain. A lawsuit has been filed that challenges its constitutionality, particularly whether the tax qualifies as an excise tax or an income-based property tax subject to Washington's constitutional uniformity requirements. The case goes to trial in February 2027. While the election strengthens the tax's political standing, the courts will determine whether it survives.

**Implications for the 2027 Legislative Session**

Democrats will enter the 2027 legislative session with extraordinary political leverage, particularly in the House. Their supermajority provides ample votes to advance legislation without Republican support.

More consequential for the business community is the erosion of the moderate Democratic bloc. Progressive candidates prevailed in every significant intraparty contest against moderate or business-oriented Democrats, removing legislators who frequently worked with Republicans and employers to modify, delay or defeat proposals they considered harmful to Washington's economic competitiveness. With fewer moderates serving as a counterweight, business interests will face substantially greater challenges opposing legislation involving taxation, labor regulations, environmental mandates and business operations.

Tax policy and adoption of the 2027–29 operating budget will likely dominate the session. Having defeated the initial electoral challenge to the millionaires' tax, progressive Democrats may exercise some restraint before advancing additional major revenue measures, such as a pursuing a statewide payroll tax or replacing the state's gross receipts tax structure with a margins tax modeled after Texas law. Lawmakers will also likely revisit the advanced computing surcharge. Nevertheless, the election increases the risk that revenue generation will take precedence over economic competitiveness, private investment and job creation.

**For IIABW members, there is continued risk that legislators could quadruple the B&O tax on producer commissions. In Olympia, we will continue to lobby against any proposal to take away our preferential rate.**

The 2026 election results fundamentally alter the political dynamics in Olympia. Democrats have expanded their legislative power, strengthened their progressive wing and gained what they will interpret as a voter mandate for an ambitious policy agenda. The central question for 2027 is not whether Democrats have the votes to advance controversial legislation, but how aggressively they will use that power - and whether employers and business advocates can build sufficient support within the Democratic caucuses to influence the outcome.