

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

1. **Legislation Title:** AN ORDINANCE relating to the business license tax and other taxes; allowing a deduction for grants, contracts, and sub-awards received as compensation for, or to support, life sciences research and development; and amending Section 5.45.100 of the Seattle Municipal Code.

2. **Summary and background of the Legislation:** This legislation would reinstate a B&O tax deduction for nonprofit or private sector life science research organizations that previously was in place between June 2012 and June 2017. The deduction would apply to income received from grants, contracts and sub-awards from federal, state, local and municipal government sources. The previous authorization of this deduction (Ordinance 123877) was limited to 5 years. The deduction resulted in an annual loss of revenues to the City of Seattle of approximately \$500,000. The primary beneficiaries of the deduction were nonprofit research entities receiving income from previously taxable sources. Nonprofit entities were already able to take deductions for federal grants, but not for contracts or sub-awards. Private sector entities were not allowed to take deductions for any grants, contracts or sub-awards. The distinction between grants and contracts and sub-awards is that contracts and sub-awards generally have “strings attached” for specific deliverables or transfer of property rights that in all other business cases would be taxable. In 2012, the City created the Life Science Research deduction, in part citing the evolution of the contractual form of government grants and awards to include greater emphasis on specific deliverable products. The concern was that this put local research entities at a competitive disadvantage relative to peer organizations from other jurisdictions.

2. CAPITAL IMPROVEMENT PROGRAM

- a. **Does this legislation create, fund, or amend a CIP Project?** Yes No

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. **Does this legislation amend the Adopted Budget?** Yes No

Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2019	2020	2019	2020
	(\$400,000)	(\$500,000)	0	0

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
None.
- c. Is there financial cost or other impacts of *not* implementing the legislation?
No

3.e. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.
Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2019 Estimated Revenue	2020 Estimated Revenue
00100	FAS	B&O Tax	(\$400,000)	(\$500,000)
TOTAL			(\$400,000)	(\$500,000)

Is this change one-time or ongoing? Ongoing

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?
Not directly.
- b. Is a public hearing required for this legislation?
No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?
No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No.
- e. Does this legislation affect a piece of property?
No.
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

This legislation provides a tax deduction to life science research organizations that will result in less general government tax revenues. These foregone revenues could be spent on programs affecting vulnerable or historically disadvantaged communities. It is impossible to state unequivocally, however, that there will be any direct or indirect

impact on programmatic spending related to these communities or these communities themselves as a result of this legislation.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

N/A

List attachments/exhibits below: