

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Erik Sund / (206) 684-8368	

** 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 taxation; adding a new Chapter 5.37 and a new Chapter 5.38 to Title 5 of the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, and 5.55.230 of the Seattle Municipal Code.

2. **Summary and background of the Legislation:**

This legislation would establish an Employee Hours Tax (EHT) on businesses with taxable gross income in Seattle of more than \$20 million per year. Federal and state government entities, many nonprofit organizations, businesses preempted from taxation by cities under federal or Washington State laws, and businesses with taxable income below the \$20 million threshold would be exempt.

The EHT would be imposed effective January 1, 2019, and would generate approximately \$75 million annually. Proceeds from the tax would be used to provide services for persons experiencing homelessness and for the provision of affordable housing.

The EHT would be cease to be collected on January 1, 2021, at which point would it would be replaced by a new Business Payroll Tax (BPT) on businesses with taxable gross income in Seattle of more than \$20 million per year. The tax, which would provide the same exemptions as the EHT it would replace, would be imposed at a rate of 0.7 percent of a qualifying business’s payroll. Businesses subject to the BPT would be required to file BPT returns with the City for informational purposes only (no tax would be due).

The BPT would be expected to generate approximately \$75 million in the first year of collection (2021) and the proceeds would be used to address homelessness and the shortage of affordable housing.

2. CAPITAL IMPROVEMENT PROGRAM

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

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2022:

3. SUMMARY OF FINANCIAL IMPLICATIONS

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

If there are no changes to appropriations, revenues, or positions, please delete the table below.

Budget program(s) affected:	General Fund \$		Other \$	
	2018	2019	2018	2019
Appropriation change (\$):	-	-	-	-
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2018	2019	2018	2019
	-	\$75,000,000	-	-
Positions affected:	No. of Positions		Total FTE Change	
	2018	2019	2018	2019
	-	-	-	-

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?

If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

Implementing employee hours tax and the business payroll tax would require both one-time startup costs (including costs to update or create new computer systems) and ongoing administrative costs. A complete estimate of these costs is not currently available.

c. Is there financial cost or other impacts of not implementing the legislation?

Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.d., 3.e., and 3.f. and answer the questions in Section 4.

3.d. Appropriations

This legislation adds, changes, or deletes appropriations.

If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues/Reimbursements.

Fund Name and number	Dept	Budget Control Level Name/#*	2018 Appropriation Change	2019 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Appropriations Notes:

3.e. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2018 Revenue	2019 Estimated Revenue
General Fund 00100		Employee Hours Tax	-	\$75,000,000
TOTAL				\$75,000,000

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

The employee hours tax would be collected in 2019 and 2020 before being replaced by the business payroll tax, which is expected to generate a similar level of revenue.

Revenue/Reimbursement Notes:

3.f. Positions

This legislation adds, changes, or deletes positions.

If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2018 Positions	2018 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.

Position Notes:

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

If so, please list the affected department(s) and the nature of the impact (financial, operational, etc.).

This ordinance would generate both one-time setup and ongoing administrative costs for the Department of Finance & Administrative Services. See 3.b above.

b. Is a public hearing required for this legislation?

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

If yes, please describe the measures taken to comply with RCW 64.06.080.

No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

No.

e. Does this legislation affect a piece of property?

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

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?

If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities.

The proceeds from the taxes to be collected under this ordinance would be used to provide affordable housing and services for persons experiencing homelessness.

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).

This answer should highlight measurable outputs and outcomes.

While this ordinance would generate revenues to support expanded programming, it does not directly establish or expand any initiatives or programs.

List attachments/exhibits below: