

Draft Proposed City of Seattle Income Tax Ordinance

June 12, 2017

Who and what will be taxed

The proposed ordinance would establish a tax on the high-income residents of Seattle. Eligibility for the tax would be based on total income as reported on federal income tax (FIT) returns and would apply only to income above \$250,000 per year for single filers or income above \$500,000 per year for married couples filing jointly. Fewer than 5% of Seattle households would be subject to the tax.

Tax rate

The tax rate would be 2% of the income in excess of \$250,000 per year for single filers or income in excess of \$500,000 per year for married couples filing jointly. Examples of the tax paid by various households are shown below.

Single Filers

Total Income	Tax-free Income	Taxable Income	Tax Owed	Tax as % of Total Income
Up to \$250,000	\$250,000	\$0	\$0	0.00%
\$275,000	\$250,000	\$25,000	\$500	0.18%
\$500,000	\$250,000	\$250,000	\$5,000	1.00%
\$1,000,000	\$250,000	\$750,000	\$15,000	1.50%

Joint Filers

Total Income	Tax-free Income	Taxable Income	Tax Owed	Tax as % of Total Income
Up to \$500,000	\$500,000	\$0	\$0	0.00%
\$550,000	\$500,000	\$50,000	\$1,000	0.18%
\$750,000	\$500,000	\$250,000	\$5,000	0.67%
\$1,000,000	\$500,000	\$500,000	\$10,000	1.00%

When would the tax be collected

The tax would apply to income received after January 1, 2018 and would first be collected in 2019.

Estimated revenue and permitted uses

Early estimates indicate that the tax would raise approximately \$125 million in the first year. The use of revenues from the tax would be restricted to: (1) lowering the property tax burden and the impact of other regressive taxes; (2) replacing federal funding currently received by the City that may be lost due to federal budget cuts; (3) providing public services such as housing, education, and transit; (4) creating green jobs and meeting carbon reduction goals; and (5) implementing and administering the new City income tax.

Filing and administration

Only residents qualifying high incomes (high enough to owe tax) would be required to file with the City. The Department of Financial and Administrative Services (FAS) would be responsible for administering the tax, including the development of more detailed rules for implementation.