



SEATTLE CITY COUNCIL
CENTRAL STAFF

Proposed City Income Tax Ordinance

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Affordable Housing, Neighborhoods, and Finance Committee
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Who and what would be taxed

- High-income residents of Seattle
- Total income in excess of \$250,000 per year for single filers or \$500,000 per year for married couples filing jointly would be taxable
- Fewer than 5% of Seattle households would be required to pay the tax

Who and what would be taxed (continued)

- Income in excess of \$250,000* per year (for single filers) or \$500,000* per year (for couples filing jointly) would be subject to a 2% tax
- For the purpose of the tax, “income” would mean total income as reported on federal income tax returns (found on Line 22 of a 1040 form)
- The tax would apply to income received on or after January 1, 2018 (first payments due April 15, 2019)

**Beginning in 2019 these thresholds would be adjusted annually for inflation*

Examples of tax obligations – single filers

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

Examples of tax obligations – joint filers

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

How much revenue would be raised?

- Preliminary estimates indicate that the tax would raise approximately \$125 million in 2019
- Actual tax receipts would fluctuate from year to year based on economic factors

What could the revenue be used for?

The ordinance permits the following uses:

- Lowering property taxes and reducing other regressive taxes
- Replacing federal funding that may be lost due to federal budget cuts
- Providing housing, education, and transit
- Creating green jobs and reducing carbon emissions
- Implementing and administering the new tax

Filing and administration

- Only residents with qualifying high incomes (high enough to owe tax) would be required to file with the City
- The Department of Finance and Administrative Services would be responsible for developing detailed rules and processes for the administration of the tax

Discussion & Questions