



CITY OF SEATTLE

City Council

Agenda

Special Meeting - Public Hearing

Monday, August 4, 2025

2:00 PM

Council Chamber, City Hall
600 4th Avenue
Seattle, WA 98104

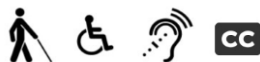
Sara Nelson, Council President
Joy Hollingsworth, Member
Debora Juarez, Member
Robert Kettle, Member
Alexis Mercedes Rinck, Member
Maritza Rivera, Member
Rob Saka, Member
Mark Solomon, Member
Dan Strauss, Member

Chair Info: 206-684-8809; Sara.Nelson@seattle.gov

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CITY OF SEATTLE
City Council
Agenda
Special Meeting - Public Hearing
August 4, 2025 - 2:00 PM

Meeting Location:

Council Chamber, City Hall, 600 4th Avenue, Seattle, WA 98104

Committee Website:

<http://www.seattle.gov/council>

Members of the public may register for remote or in-person Public Comment to address the Council. Speakers must be registered in order to be recognized by the Chair. Details on how to register for Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period or Public Hearing at <https://www.seattle.gov/council/committees/public-comment>. Online registration to speak will begin one hour before the meeting start time, and registration will end at the conclusion of the Public Comment period and Public Hearing during the meeting.

In-Person Public Comment - Register to speak on the public comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. Registration will end at the conclusion of the Public Comment period and Public Hearing during the meeting.

Written comments must be submitted prior to 10 a.m. to ensure that they are distributed to Councilmembers prior to the start of the meeting. Comments may be submitted at Council@seattle.gov or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104. Comments received after 10 a.m. will be distributed after the meeting to Councilmembers and included as part of the public record.

A. CALL TO ORDER

B. ROLL CALL

C. PUBLIC COMMENT

Members of the public may sign up to address the Council for up to 2 minutes on matters on this agenda; total time allotted to public comment at this meeting is 20 minutes.

D. APPROVAL OF THE AGENDA**E. COMMITTEE REPORTS**

Discussion and vote on Council Bills (CB), Resolutions (Res), Appointments (Appt), and Clerk Files (CF).

CITY COUNCIL:

1. [CB 121013](#) AN ORDINANCE relating to floodplains; ninth extension of interim regulations established by Ordinance 126113, and as amended by Ordinance 126536, for an additional six months, to allow individuals to rely on updated National Flood Insurance Rate Maps to obtain flood insurance through the Federal Emergency Management Agency's Flood Insurance Program.

Supporting Documents: [Summary and Fiscal Note](#)
 [Revised Hearing Notice](#)

Public Hearing and Vote

SELECT BUDGET COMMITTEE:

2. [CB 121028](#) AN ORDINANCE relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, and revise the business license tax consistent with changes to the business and occupation tax; adding a new Section 5.45.105 to the Seattle Municipal Code; amending Sections 5.45.050, 5.45.100, 5.55.030, and 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

The Committee recommends that City Council pass as amended the Council Bill (CB).

In Favor: 8 - Strauss, Rivera, Hollingsworth, Juarez, Nelson, Rinck, Saka, Solomon

Opposed: None

Supporting

Documents:

[Summary and Fiscal Note v2](#)

[Summary Att 1 - Office of Economic and Revenue](#)

[Forecasts Memo](#)

[Amendment A](#)

[Amendment B](#)

F. OTHER BUSINESS

Signing of Proclamation

G. ADJOURNMENT



Legislation Text

File #: CB 121013, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to floodplains; ninth extension of interim regulations established by Ordinance 126113, and as amended by Ordinance 126536, for an additional six months, to allow individuals to rely on updated National Flood Insurance Rate Maps to obtain flood insurance through the Federal Emergency Management Agency's Flood Insurance Program.

WHEREAS, through Ordinance 126113 in July 2020, the City adopted interim floodplain development

regulations to regulate development in special flood hazard areas in accordance with standards

established by the National Flood Insurance Program and the Washington State Department of Ecology

and areas identified as flood-prone in subsection 25.09.012.B of the Seattle Municipal Code, with an

effective date of August 24, 2020, and an expiration date of February 24, 2021; and

WHEREAS, through Ordinance 126271 in January 2021, the City renewed the interim floodplain development

regulations for 12 months with an effective date of February 22, 2021, and an expiration date of

February 22, 2022, to continue to meet the National Flood Insurance Program and the Washington State

Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 126536 in February 2022, the City amended Section 25.06.110 of the Seattle

Municipal Code and extended the interim floodplain development regulations for six months with an

effective date of February 18, 2022, and an expiration date of August 18, 2022, to continue to meet the

National Flood Insurance Program and the Washington State Department of Ecology requirements to

remain in compliance; and

WHEREAS, through Ordinance 126651 in August 2022, the City again renewed the interim floodplain

development regulations as amended by Ordinance 126536 for six months with an effective date of August 17, 2022, and an expiration date of February 17, 2023, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 126763 in February 2023, the City again renewed the interim floodplain development regulations as amended by Ordinance 126536 for six months with an effective date of February 15, 2023, and an expiration date of August 15, 2023, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 126885 in August 2023, the City again renewed the interim floodplain development regulations as amended by Ordinance 126536 for six months with an effective date of August 15, 2023, and an expiration date of February 15, 2024, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 126994 in February 2024, the City again renewed the interim floodplain development regulations as amended by Ordinance 126536 for six months with an effective date of February 13, 2024, and an expiration date of August 13, 2024, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 127064 in August 2024, the City again renewed the interim floodplain development regulations as amended by Ordinance 126536 for six months with an effective date of August 7, 2024, and an expiration date of February 7, 2025, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, through Ordinance 127179 in February 2025, the City again renewed the interim floodplain development regulations as amended by Ordinance 126536 for six months with an effective date of February 4, 2025, and an expiration date of August 4, 2025, to continue to meet the National Flood Insurance Program and the Washington State Department of Ecology requirements to remain in compliance; and

WHEREAS, in July 2021, the City published its State Environmental Policy Act (SEPA) decision on the proposed permanent regulations that included amendments to the interim code and additional amendments; and

WHEREAS, in July 2021, the City's SEPA decision was appealed by the Port of Seattle, which has delayed the adoption of the proposed permanent regulations because the Port and City staff have been working on amendments to the proposed permanent regulations, Director's Rules, Tips, and a variance guidance document to address the Port's concerns; and

WHEREAS, in February 2022, the City withdrew its SEPA decision to address the issues raised by the Port of Seattle's appeal and will reissue SEPA on the amended proposed permanent Floodplain Development Regulations; and

WHEREAS, in August 2024, the City published its State Environmental Policy Act (SEPA) decision on the proposed permanent regulations that included amendments to the interim code and additional amendments; and

WHEREAS, the August 2024 SEPA decision was not appealed but it did bring about new interest in the proposal and has led to additional outreach and discussion; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council makes the following legislative findings of fact and declares as follows:

A. The Council incorporates by reference the findings of fact contained in Ordinance 126113.

B. In July 2020, the City Council passed, and the Mayor signed Ordinance 126113, establishing interim

floodplain development regulations to maintain the City's standing in the Federal Emergency Management Agency's National Flood Insurance Program, enabling residents to continue to be eligible for flood insurance while preventing development incompatible with City goals related to development in the floodplains.

C. Since that time, the City has proposed permanent floodplain development regulations that included the amendments proposed in the interim regulations and additional code amendments and published a new State Environmental Policy Act (SEPA) decision on this proposal; however, due to factors detailed below, the work necessary to complete the permanent regulations will not be completed before the expiration of the interim regulations on February 7, 2025.

D. The City's initial SEPA decision, published in July 2021, was appealed to the Hearing Examiner by the Port of Seattle ("Port") and Port and City staff subsequently worked to resolve the issues raised by the Port with code amendments, Director's Rules, Tips, and a variance guidance document.

E. The City withdrew its SEPA decision in February 2022 in order to reissue an updated SEPA analysis on the amended proposed permanent Floodplain Development Regulations that address some or all issues raised by the Port of Seattle.

F. The City issued a new SEPA decision in August 2024 and this decision was not appealed. However, the Port of Seattle continues to request additional amendments, and additional constituents have requested additional engagement with the City and FEMA.

G. Revised Code of Washington (RCW) 36.70A.390 authorizes the City to renew interim regulations by ordinance for a six-month period.

Section 2. Pursuant to RCW 36.70A.390, the interim regulations first set forth in Ordinance 126113, and as amended by Ordinance 126536, shall be renewed for a period of six months from the date this ordinance becomes effective, and shall automatically expire after the six-month period unless the same is extended as provided by statute, or unless terminated sooner by the City Council.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025, and signed by
me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
SDCI	Margaret Glowacki	Jennifer Breeze

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to floodplains; ninth extension of interim regulations established by Ordinance 126113, and as amended by Ordinance 126536, for an additional six months, to allow individuals to rely on updated National Flood Insurance Rate Maps to obtain flood insurance through the Federal Emergency Management Agency's Flood Insurance Program.

Summary and Background of the Legislation: This legislation extends the interim floodplain development legislation adopted by Ordinance 126113, and amended by Ordinance 126536, for a ninth time with a public hearing as allowed by the State Growth Management Act. Without adoption of this legislation the interim regulations would expire on August 4, 2025. This legislation extends the amended interim regulations 6 months so that the City's floodplain mapping and development regulations will continue to be consistent with federal law. These regulations will continue to be in place while SDCI prepares and transmits material necessary for Council to consider the Permanent Floodplain Development legislation, which incorporates feedback from enhanced stakeholder outreach. The additional time is needed for City staff to make updates to the final legislation and publish a SEPA Addendum. This time will also be used to ensure the public is notified of the proposal, as well as opportunities to provide input and public comment when the legislation goes before Council and transmit to FEMA when the legislative process concludes and the effective date is reached.

The extension of the interim regulations applies to permit applications for construction on property within floodplain areas mapped by FEMA. FEMA has required these types of updates across the country. FEMA published the final updated floodplain map for King County in February 2020. This map (called the Flood Insurance Rate Map) identifies properties that are at risk of flooding and is used to determine which properties are required to have flood insurance. The updated FEMA map is considered final and took effect on August 19, 2020.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ Yes ☒ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ Yes ☒ No

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

No. While the updated mapping in the interim legislation, Ordinance 126113, includes approximately 185 additional properties, the number of permit applications that are being reviewed using the interim regulations is minimal. Existing SDCI staff is sufficient to review permit applications and costs are recovered by existing permit fees. The updated maps have already been prepared.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

See response above.

Please describe any financial costs or other impacts of *not* implementing the legislation.

No financial costs to the City are anticipated. If the City does not extend the interim regulations, property owners in the FEMA mapped floodplain areas may not be able to purchase flood insurance, renew an existing policy, or attain federally backed mortgages.

Please describe how this legislation may affect any City departments other than the originating department.

Seattle Public Utilities, Parks, Seattle Department of Transportation, and any other department that is proposing development in the floodplain will need to comply with these regulations.

4. OTHER IMPLICATIONS

a. Is a public hearing required for this legislation?

Yes.

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

Yes.

c. Does this legislation affect a piece of property?

The legislation will continue to apply to approximately 2,190 properties along the Puget Sound coast, the Duwamish River, and certain streams. This number includes the additional 185 properties included in the interim regulations.

d. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

- i. **How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

Nationally, areas with more minority residents tend to have a greater share of unmapped flood risk. While FEMA's February 2020 maps better reflect that risk, some property owners will need to purchase flood insurance, which low-income property owners may struggle to afford. The City's floodplain regulations meet the federal requirements for flood insurance and in some instances are more protective. The more protective standards will result in lower insurance rates over the long term.

- ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

No specific RET or equity analysis was prepared for these interim regulations.

- iii. **What is the Language Access Plan for any communications to the public?**

Access to language translation services is available, if needed. No language access plan was prepared for these interim regulations.

e. Climate Change Implications

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

There will be no increase or decrease of carbon emissions as a result of this legislation.

- ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

The interim floodplain regulations are intended to increase resiliency to climate change in Seattle by identifying areas that are at risk of flooding and requiring building standards that either keep development out of the areas that are at the highest risk of damage or require structures to be elevated and/or floodproofed to decrease the risk of damage.

- f. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

N/A

- g. **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

No.

5. ATTACHMENTS

Summary Attachments: None.

Other Land Use Actions

REVISED NOTICE OF A SEATTLE CITY COUNCIL PUBLIC HEARING ON LEGISLATION TO EXTEND INTERIM FLOODPLAIN DEVELOPMENT REGULATIONS

The Seattle City Council will hold a public hearing on August 4, 2025, on Council Bill 121013, which would extend for up to six months interim floodplain development regulations originally established through Ordinance 126113 in 2020. The interim development regulations have been extended eight times previously.

Interim regulations are required for participation in the National Flood Insurance Program and are based on a Federal Emergency Management Agency Flood Insurance Study. Interim regulations will be in place while the Seattle Department of Construction and Inspections finalizes recommendations for permanent regulations.

This notice is revised to reflect a 2:00 p.m. start time for the public hearing on August 4, 2025.

PUBLIC HEARING

The City Council will hold a public hearing to take comments on the bill extending the interim development regulations on Monday, August 4, 2025, at 2:00 p.m. ~~3:00 p.m. or after the regularly scheduled Council Briefing meeting.~~ The hearing will be held in the:

City Council Chambers
2nd Floor, Seattle City Hall
600 Fourth Avenue, Seattle, WA

Persons who wish to participate in or attend the hearing may be offered the opportunity to do so remotely. If this is the case, the City Council will provide instructions in the meeting agenda on how to participate remotely. Please check the City Council agenda a few days prior to the meeting at <http://www.seattle.gov/council/committees>.

Print and communications access is provided on prior request. Seattle City Council Chambers is accessible. Directions to the City Council Chambers, and information about transit access and parking are available at <http://www.seattle.gov/council/meet-the-council/visiting-city-hall>.

Written Comments

For those unable to attend the public hearing, written comments may be sent to:

Council President Sara Nelson
Attn: Emilia Sanchez
600 Fourth Avenue, Floor 2
PO Box 34025

Seattle, WA 98124-4025
or by email to council@seattle.gov

Written comments should be received by Monday, August 4th, 2025, at 12:00 p.m.

INFORMATION AVAILABLE

Copies of the proposal may be obtained from the City Clerk website at <https://seattle.legistar.com/Legislation.aspx>. Please reference Council Bill No. 121013 in the “Search” field.

Questions regarding the ordinance or requests for electronic copies may be directed to Maggie Glowacki of the Seattle Department of Construction and Inspections at (206) 386-4036 or margaret.glowacki@seattle.gov.



Legislation Text

File #: CB 121028, **Version:** 2

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, and revise the business license tax consistent with changes to the business and occupation tax; adding a new Section 5.45.105 to the Seattle Municipal Code; amending Sections 5.45.050, 5.45.100, 5.55.030, and 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

WHEREAS, the Office of Economic and Revenue Forecasts' April 2025 revenue forecast projected a \$241 million reduction to revenues in 2025 and 2026, compared to amounts used to balance the 2025 and 2026 budgets; and

WHEREAS, as presented at the May 7, 2025, Finance, Tribal Governments, and Native Communities meeting, the combined financial plans of the City's General Fund and JumpStart Payroll Expense Tax Fund show a \$233 million average deficit in 2027 and future years; and

WHEREAS, 2026 budget guidance provided by the Mayor's office requested, for all departments supported by the General Fund and Payroll Expense Tax, a two percent reduction targeted for homelessness, public safety, and public-safety related departments and an eight percent target reduction for all other departments; and

WHEREAS, such reductions, if included in the Executive's 2026 Proposed Budget, could impact the City's ability to provide critical services that support vulnerable workers and small businesses, and that address food insecurity, gender-based violence, and homelessness; and

WHEREAS, according to a presentation at the April 23, 2025, Housing and Human Services Committee, the federal government has already eliminated \$1.6 billion in funding for food programs, not including any changes to the Supplemental Nutrition Assistance Program (SNAP); and

WHEREAS, the Continuing Resolution passed by the House in May 2025 would cut nearly \$300 billion from SNAP through 2034; and

WHEREAS, the Continuing Resolution passed by the House in May 2025 would reduce Continuum of Care (CoC) funding, a critical source of funding for homelessness services for Seattle, and change eligibility criteria so that Permanent Supportive Housing projects that rely on \$20 million in annual CoC grants may no longer be eligible for them; and

WHEREAS, the federal Department of Housing and Urban Development (HUD) provided Emergency Housing Vouchers (EHVs) to households experiencing homelessness during COVID, with a commitment to fund the EHV's through 2030, but HUD has recently announced funding will end early, leaving hundreds of households at risk of homelessness in 2026; and

WHEREAS, affordable housing providers are financially stressed by rising operating costs and other factors, placing their long-term ability to provide affordable housing to low-income tenants at risk; and

WHEREAS, Seattle benefits tremendously from the large number of diverse immigrants and refugees who contribute to the development of a culturally and economically diverse and enriched community, with immigrant-owned businesses in Washington State generating over \$2.3 billion in annual revenue and creating thousands of jobs; and

WHEREAS, The City of Seattle adopted Resolution 32168 reaffirming Seattle as a Welcoming City to immigrants and refugees in May 2025, in which council committed to the consideration of maintaining funding for programs and policies that support immigrants and refugees, low-wage workers, communities at risk of displacement, as well as supporting the City's diverse business community and balancing the City's budget in a way that minimizes harm to women-and-minority-owned business

enterprises, the LGBTQ business community, and the Office of Economic Development's community wealth building strategies; and

WHEREAS, rising inflation and the potential loss of federal support in critical service areas will leave a gap in the level of services that can be provided to the community by non-City partners; and

WHEREAS, Seattle is home to over 100,000 businesses, 75 percent of which have annual revenues under \$100,000; and

WHEREAS, according to a comparative analysis, starting a business in Seattle is expensive, time-consuming, and complex; and

WHEREAS, businesses also face challenges from rising inflation, public safety concerns, and housing, construction and insurance costs, which together put additional pressure on their ability to survive and thrive in the city; and

WHEREAS, while downtown Seattle shows promising signs of recovery, retail space vacancies remain high at nine percent as of late 2024, and the Downtown Seattle Association reports that there are over 500 vacant street-level storefronts in downtown neighborhoods, many of which formerly were filled by small businesses; and

WHEREAS, high vacancy rates in commercial districts can create a vicious cycle, where fewer businesses attract foot traffic, leading to more business closures or relocations, which in turn further reduces the number of visitors to the area; and

WHEREAS, many small businesses operate with slim margins and are disproportionately impacted by the financial pressures facing cities, communities, consumers, and workers; and

WHEREAS, providing small businesses with relief from the business and occupation tax will provide needed support for these businesses; and

WHEREAS, by increasing the business and occupation tax exemption to \$2 million in gross revenues and by implementing a standard deduction for the first \$2 million in gross revenues earned, over 90 percent of

businesses in Seattle will either pay no or fewer taxes; and

WHEREAS, addressing the projected long-term structural General Fund and JumpStart Payroll Expense Tax Fund (JumpStart Fund) deficit will require the City Council to make difficult decisions that address the ongoing budget deficit and produce a balanced budget, including determining future funding amounts for the JumpStart Fund investment categories, such as housing; and

WHEREAS, the Seattle Housing Investment Plan, as requested in the City Council's Statement of Legislative Intent OH-001S-A, will provide critical information on the most strategic use of City funding, including the JumpStart Fund, to support housing production goals; and

WHEREAS, RCW 35.21.711 requires a majority vote of the people to raise business and occupation tax rates to the rates proposed in this ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council finds and declares:

A. The October 2024 forecast from the Office of Economic and Revenue Forecasts (Forecast Office) projected an estimated \$89 million structural General Fund (GF) deficit, beginning in 2027.

B. In April 2025, the Forecast Office released revised revenue projections, which show:

1. A \$150 million deficit in the JumpStart Payroll Expense Tax Fund (JumpStart Fund) in 2025 and 2026;

2. An average combined JumpStart Fund and GF deficit of \$232 million each year, beginning in 2027. Of that deficit, \$85 million is in the JumpStart Fund and \$147 million is in the GF.

C. The Forecast Office estimates that the Business and Occupation Tax restructure in this ordinance could generate \$90 million in additional net GF revenue per year, after accounting for the higher exemption threshold and new standard deduction.

D. Of that \$90 million in net revenue, up to \$30 million may be used to mitigate the impact of federal funding reductions, leaving at least \$60 million to help offset the GF and JumpStart Fund projected deficit.

E. If this ordinance is approved in the November 2025 general election and generates the projected \$90 million in net GF revenue, and if \$30 million of that is used to mitigate federal funding reductions and \$60 million is used to offset GF and JumpStart Fund project deficit, the City would still face a projected combined JumpStart Fund and GF deficit of approximately \$90 million in 2026 and an average of \$172 million each year beginning in 2027. As such, the City will need to take other actions to address the projected deficit.

F. The City Council, in adopting future budgets, will need to make difficult decisions that address the ongoing budget deficit and produce a balanced budget, including determining future funding amounts for the JumpStart Fund investment categories described in Ordinance 127155, as adopted by the Council in November 2024. Those investment categories are: housing and services; the Equitable Development Initiative; economic development and revitalization; community planning efforts; the City's Green New Deal program; youth mental health; contributions to the JumpStart Fund revenue stabilization account; and programs and services supported by the City's General Fund.

Section 2. Subject to and contingent upon approval of the qualified voters of the City as authorized by RCW 35.21.711, Section 5.45.050 of the Seattle Municipal Code, last amended by Ordinance 125211, is amended as follows:

5.45.050 Imposition of the tax-Tax or fee levied

Except as provided in subsection 5.55.040.D.1, there is hereby levied upon and shall be collected from every person a tax for the act or privilege of engaging in business activities within the City, whether the person's office or place of business be within or without the City. The tax shall be in amounts to be determined by application of rates against gross proceeds of sale, gross income of business, or value of products, including by-products, as the case may be, as follows:

A. Upon every person engaging within the City in business as an extractor; as to such persons, the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, extracted within the City for sale or for commercial or industrial use, multiplied by the rate of .00215

through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00219, ((and)) beginning January 1, 2018, through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, through December 31, 2029, by the rate of .00342, and beginning January 1, 2033, by the rate of .00273.

The measure of the tax is the value of the products, including by-products, so extracted, regardless of the place of sale or the fact that deliveries may be made to points outside the City.

B. Upon every person engaging within the City in business as a manufacturer; as to such persons, the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, manufactured or processed within the City, multiplied by the rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00219, ((and)) beginning January 1, 2018, through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, through December 31, 2029, by the rate of .00342, and beginning January 1, 2033, by the rate of .00273. The measure of the tax is the value of the products, including by-products, so manufactured or processed, regardless of the place of sale or the fact that deliveries may be made to points outside the City.

C. Upon every person engaging within the City in the business of making sales of retail services, or making sales at wholesale or retail; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business without regard to the place of delivery of articles, commodities, or merchandise sold, multiplied by the rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00219, ((and)) beginning January 1, 2018, through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, through December 31, 2029, by the rate of .00342, and beginning January 1, 2033, by the rate of .00273.

D. Upon every person engaging within the City in the business of:

1. Printing;

2. Both printing and publishing newspapers, magazines, periodicals, books, music, and other printed items;

3. Publishing newspapers, magazines, and periodicals;

4. Extracting for hire;

5. Processing for hire; or

6. Conducting a tour operator business; as to such persons, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00219, ~~((and))~~ beginning January 1, 2018, through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, through December 31, 2029, by the rate of .00342, and beginning January 1, 2033, by the rate of .00273.

E. Upon every motor carrier engaging within the City in the business of transporting freight for hire; as to such persons, the amount of the tax with respect to such business shall be equal to the gross income from the transport of freight picked up in the City multiplied by the rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018, through December 31, 2025, by the rate of .00427, and beginning January 1, 2026, through December 31, 2029, by the rate of .00658, and beginning January 1, 2033, by the rate of .00526. The business of transporting freight for hire includes the business of leasing or renting motor vehicles operated by the lessor, or by a person under the control of the lessor, to transport freight for hire.

F. Upon every other person engaging within the City in any business activity other than or in addition to those enumerated in the above subsections; as to such persons, the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018 through December 31, 2025, by the rate of .00427, and beginning January 1, 2026, through December 31, 2029, by the rate of .00658, and beginning January 1, 2033, by the rate of .00526. This subsection includes, among others, and without limiting the scope hereof (whether or not title to material used in the performance of such business passes to another by accession, merger, or other than by outright sale), persons engaged in the

business of developing or producing custom software or of customizing canned software, producing royalties or commissions, persons engaged in the business of freight brokering, and persons engaged in the business of rendering any type of service which does not constitute a sale at retail, a sale at wholesale, or a retail service.

Section 3. Subject to and contingent upon approval of the qualified voters of the City, Section 5.55.040 of the Seattle Municipal Code, last amended by Initiative 137, is amended as follows:

5.55.040 When due and payable-Reporting periods-Monthly, quarterly, and annual returns-Threshold provisions-Computing time periods-Failure to file returns

* * *

D.

1. For purposes of the tax imposed by Chapter 5.45, any person whose gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the city subject to tax after all allowable deductions, is less than the tax threshold amount defined in subsection 5.55.040.D.3 in the current calendar year, shall complete and file a return, declare no tax due on their return, and submit the return to the Director. The gross receipts and deduction amounts shall be entered on the tax return even though no tax may be due.

2. Any person who reasonably estimates that the gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the city subject to tax after all allowable deductions, will be less than the tax threshold amount defined in subsection 5.55.040.D.3 (~~((below,))~~) in the current calendar year may file a declaration so stating on a form supplied by the Director at the same time (~~((he or she))~~) the person files (~~((his or her))~~) an application for a business license tax certificate or a renewal. The Director may assign any person who files such declaration to an annual reporting period.

3. (~~((For calendar years prior to 2008, the Business and Occupation tax threshold amount shall remain at Fifty Thousand Dollars (\$50,000) as established under Ordinance 116945. For calendar years 2008~~

~~and 2009, the Business and Occupation tax threshold amount shall be Eighty Thousand Dollars (\$80,000-))~~ For calendar years 2010 ~~((and thereafter,))~~ through 2025, the ((Business and Occupation)) business and occupation tax threshold amount ((shall be One Hundred Thousand Dollars-)) is \$100,000((+)). For calendar years starting in 2026, the business and occupation tax threshold amount is \$2,000,000.

* * *

Section 4. Subject to and contingent upon approval of the qualified voters of the City, Section 5.45.100 of the Seattle Municipal Code, last amended by Ordinance 124089, is amended as follows:

5.45.100 Deductions.

In computing the license fee or tax, the following may be deducted from the measure of tax:

* * *

W. Standard deduction. In computing tax, taxpayers may deduct \$2 million from the measure of the tax. Taxpayers reporting multiple business activity types may choose the business activities to which they apply the standard deduction. This deduction is available to taxpayers for tax years beginning January 1, 2026.

Section 5. Subject to and contingent upon approval of the qualified voters of the City, a new Section 5.45.105 of the Seattle Municipal Code is added as follows:

5.45.105 Credits

A. Credit for comprehensive cancer centers. Persons taxable under Section 5.45.050 that receive gross receipts that are exempt from state business and occupation tax under RCW 82.04.4265 shall be allowed a credit against those taxes equal to the amount of gross receipts that is exempt from state business and occupation tax under RCW 82.04.4265 multiplied by: the rate of the tax for that business, minus the rate immediately preceding the effective date of this ordinance.

B. Credit for pediatric hospitals. Nonprofit hospitals specializing primarily in pediatric medicine taxable under Section 5.45.050 shall be allowed a credit against those taxes equal to the amount of gross receipts that is taxable under Section 5.45.050 multiplied by: the rate of the tax for that business, minus the rate immediately

preceding the effective date of this ordinance.

1. For the purposes of this section:

a. “Hospital” has the meaning established in Revised Code of Washington Chapter 70.41.020.

b. “Nonprofit” means a corporation or organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

c. “Specializing primarily in pediatric medicine” means a hospital providing clinically appropriate health care for the special needs of pediatric and young adult patients whose care and diagnosis is best treated with pediatric expertise.

2. The calculation of the credit applies solely to gross receipts from hospital services and shall not include gross receipts from retail, wholesale, or manufacturing business activity.

Section 6. Subject to and contingent upon approval of the qualified voters of the City, Section 5.55.030 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended as follows:

5.55.030 License requirements - Minimum license threshold

A.

1. No person, unless specifically exempted, shall engage in any business activity, profession, trade, or occupation in the City without having first obtained and being the holder of a valid and subsisting license to do so, to be known as a "business license tax certificate."

2. Effective January 1, 2019 to December 31, 2019, the fee for the business license tax certificate shall be:

((1-)) a. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than \$20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$27.50 for such persons beginning their activity on or after July 1;

~~((2-))~~ b. One hundred ten dollars for persons with taxable gross income of the business and value of products of \$20,000 or more but less than \$500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;

~~((3-))~~ c. Five hundred dollars for persons with taxable gross income of the business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$250 for such persons beginning their activity on or after July 1;

~~((4-))~~ d. One thousand two hundred dollars for persons with taxable gross income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$600 for such persons beginning their activity on or after July 1.

~~((5-))~~ e. Two thousand four hundred dollars for persons with taxable gross income of the business and value of products of \$5,000,000 or more in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$1,200 for such persons beginning their activity on or after July 1.

3. On January 1, 2020 and on January 1 of every year thereafter, the fees for the business license tax certificate shall be increased for all persons consistent with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. To calculate the new annual fees, each prior year's fee will be multiplied by the sum of one and the annual percent change in the CPU-U. If the annual change in the CPI-U is negative, no adjustment shall be made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.

4. For the 2026 business license tax certificate fee computation and every year thereafter, the fees in subsections 5.55.030.A.2 and 5.55.030.A.3 shall be based on the taxable gross income of the business

prior to the taking of the standard deduction under subsection 5.45.100.W.

5. The fee shall accompany the application for the license. Persons who did not engage in business in the City in the most recent complete calendar year shall pay the minimum full or partial year fee amount at the time of application and the Director shall bill the person after the conclusion of the calendar year of the application for any remaining amount based on the fee schedule in this subsection 5.55.030.A and the person's taxable gross income of the business and value of products during the calendar year of the application.

6. The business license tax certificate shall expire at the end of the calendar year for which it is issued. The business license tax certificate shall be personal and nontransferable except as provided in subsection 5.55.030.F. Applications for the business license tax certificate shall be made to the Director of Finance and Administrative Services on forms provided by the Director. Each business license tax certificate shall be numbered, shall show the name, place, and character of the business of the licensee, and such other information as the Director deems necessary, and shall at all times be conspicuously posted in the place of business for which it is issued.

7. If the licensee changes the place of business, the licensee shall return the business license tax certificate to the Director and a new business license tax certificate shall be issued for the new place of business free of charge.

Section 7. Subject to and contingent upon approval of the qualified voters of the City:

A. Proceeds of the business and occupation tax will continue to be deposited into the City's General Fund. The increases in business and occupation tax rates authorized in Section 1 of this ordinance shall be dedicated for the uses described in subsections 5.B and 5.C of this ordinance. At least three months prior to the Mayor submitting the annual budget, the Executive shall consult with the City Council on the impact of actual and anticipated revenue reductions and federal funding cuts on the programs identified in subsections 5.B and 5.C of this ordinance to inform how the new revenue generated by this ordinance is to be utilized. The Mayor shall submit to the City Council at the same time the budget is transmitted a written proposed plan outlining

how the new revenue generated by this ordinance is to be utilized in these areas.

B. The proceeds shall be used:

1. For the business and occupation tax threshold lift and deduction for small businesses.
2. To pay for programs or activities that receive City General Fund or JumpStart Payroll

Expense Tax Fund (JumpStart Fund) appropriations as of the effective date of this ordinance, in the following program areas:

- a. Food access;
- b. Gender-based violence;
- c. Small business supports, including but not limited to storefront repairs and Business Improvement Areas;
- d. Emergency shelter;
- e. Homelessness prevention;
- f. Support for workers' rights and protections;
- g. Public health;
- h. Workforce development and job readiness training; and
- i. Arts and culture.

C. Up to \$30 million in proceeds may be used:

1. For implementation costs and ongoing administration of the tax.
2. To mitigate the impact of federal funding reductions or federal policy changes in the

following program areas:

- a. Housing stability for low-income tenants;
- b. Food insecurity, including but not limited to, food banks and food meal programs;
- c. Financial stability for affordable housing providers and properties;
- d. Emergency shelters and homelessness;

e. Substance abuse disorder treatment; and

f. Transportation projects.

D. The mayor shall submit a written report by September 1 annually, beginning in 2026 and ending four years after the effective date of this ordinance, with the following information:

1. The year-to-date outcomes achieved by the prior year's appropriation of City General Fund or JumpStart Payroll Expense Tax Fund, including the net revenue generated by this ordinance, for all of the program areas in subsection 7.B.2 of this ordinance. The report should include outcomes such as the number of: households receiving food assistance; individuals receiving gender-based violence services; emergency shelter bed nights provided; households placed into permanent housing from emergency shelter; unduplicated households receiving homelessness prevention services, including rental assistance, eviction legal aid, or case management to stay housed; unduplicated small businesses receiving assistance; and workers' rights cases resolved.

2. The new or additional funding that was provided to mitigate federal funding reductions, including programs and funding amounts, as described in subsection 7.C.2 of this ordinance. For any program receiving funding under subsection 7.C.2 of this ordinance, the report should include outcomes achieved year-to-date due to that funding, such as the number of: affordable units preserved through financial stabilization subsidies; households receiving food assistance; emergency shelter bed nights provided; and tenants able to remain stably housed.

Section 8. This ordinance does not limit the City's ability to pass other ordinances that amend the credits in Seattle Municipal Code Section 5.45.105, business and occupation tax threshold in Seattle Municipal Code Section 5.55.040, or the standard deduction in Seattle Municipal Code subsection 5.45.100.W.

Section 9. Fiscal sustainability

A. Revenue generated from the business and occupations tax is deposited into the General Fund, which

also relies on a large ongoing transfer from the JumpStart Payroll Expense Tax Fund. Contingent upon the Mayor's 2027 Proposed Budget including new revenue generated by this ordinance, that budget proposal shall include balanced financial plans for the City's General Fund and JumpStart Payroll Expense Tax Fund, in the form and format prescribed in the Fiscal Transparency Program, subsection 3.140.060.B of the Seattle Municipal Code as added by Ordinance 126962. In addition to the requirements in subsection 3.140.060.B, both plans shall:

1. Clearly demonstrate how the new resources generated by this business and occupation tax restructure, plus existing and newly proposed resources, are managed to generate zero or positive projections of unreserved fund balance for both the General Fund and JumpStart Payroll Expense Tax Fund in 2027 and all future years when the tax is in effect. To the extent that spending reductions are needed to achieve zero or positive fund balance, the financial plans shall show which of the following spending categories is to be reduced and by how much. Anticipated spending increases shall be documented in the financial plan in the same manner.

General Fund spending categories: Administration; Arts, Culture, and Recreation; Education and Human Services; Livable and Inclusive Communities; Public Safety; Utilities, Transportation, and Environment.

JumpStart Payroll Expense Tax Fund categories: Affordable Housing, the Green New Deal, Economic Development, Equitable Development Initiative; and Youth Mental Health.

2. Rely on reasonable, transparent and publicly available assumptions that are transmitted with the plans.

3. Include revenue, expenditure and reserve projections for 2027, 2028, 2029, and 2030.

4. Include a discrete line to show in each year the transfer from the JumpStart Payroll Expense Tax Fund to the General Fund.

B. If either or both financial plans submitted under subsection 9.A of this ordinance show a negative

unreserved fund balance in 2030, the Mayor and City Council shall engage in a process to review ongoing spending and revenues in support of developing budget actions that can be implemented in the 2030 Budget to resolve those shortfalls.

Section 10. Election - Ballot title. The City Council directs the City Clerk to file relevant portions of this ordinance with the Director of Elections of King County, Washington, as ex officio supervisor of elections, requesting the Director of Elections to call and conduct a special election in the City in conjunction with the state general election to be held on November 4, 2025, for the purpose of submitting to the qualified electors of the City the proposition set forth in Sections 1 through 6 of this ordinance. The City Clerk is directed to certify to the King County Director of Elections the ballot title approved by the City Attorney in accordance with their responsibilities under RCW 29A.36.071. The following ballot title is submitted to the City Attorney for consideration:

THE CITY OF SEATTLE

PROPOSITION NO. 2

Changes to the Business and Occupation Tax

The Seattle City Council adopted Ordinance No. XXXXXX concerning changes to the business and occupation tax.

The City of Seattle's Proposition 2 would increase the threshold for payment of the business and occupation tax from \$100,000 to \$2 million in gross receipts; create a \$2 million standard deduction; and increase, for seven years, tax rates currently at .00222 and .00427 to .00342 and .00658, respectively.

Beginning in 2033 tax rates would decrease to .00273 and .00526, respectively. Proceeds would support the general fund and critical city services threatened by federal cuts.

Should this Proposition be approved?

Yes

No

Section 11. Future Consideration. Future City Councils should consider sending a ballot question to the voters to reimpose the temporary elevated rates of the business and occupation tax if needed to provide financial sustainability after the reduction of the rates.

Section 12. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Section 13. Sections 2 through 8 of this ordinance shall take effect subject to and contingent upon approval of the qualified voters of the City as authorized by RCW 35.21.711 and in accordance with applicable law. All other sections of this ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if this ordinance is not approved and returned by the Mayor within ten days after presentation, then those sections shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025, and signed by me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Legislative	Tom Mikesell	n/a

1. BILL SUMMARY

Legislation Title: relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, and revise the business license tax consistent with changes to the business and occupation tax; amending Sections 5.45.050, 5.45.100, 5.45.105, 5.55.030, and 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

Summary and Background of the Legislation:

This council bill would submit a business and occupation tax restructure proposal to the voters of Seattle for their approval at the November 4, 2025, general election. Contingent on voter approval, it would, as of January 1, 2026:

- Increase B&O tax rates,
- Increase the small business tax threshold from \$100,000 to \$2 million,
- Add a \$2 million standard deduction
- Provide tax credits equal to the tax obligation impacts of the restructure for non-profit pediatric hospitals and cancer research centers
- Make conforming changes to the City's business license fee, which currently uses B&O tax taxable income for its fee schedule
- Through 2032, the higher rates would generate approximately \$81 million of new General Fund (GF) revenue, which will be used to:
 - Pay for implementation and ongoing operating costs related to the tax
 - Support city investments in the areas of food access, gender-based violence, small business supports, emergency shelters, homelessness prevention, support for worker rights and protections, public health, workforce development and job readiness training, and arts and culture.
 - Mitigate federal funding cuts in the areas of housing stability, food insecurity, financial stability for the affordable housing sector, emergency shelter and homelessness, substance use disorder treatment, and transportation projects.
- Beginning January 1, 2033, the rates would decrease to levels that support some elements of the restructure, including the small business threshold, the standard deduction and the targeted credits, but would not raise net new revenue compared to current baselines.

The council bill would also require that the Mayor submit with 2027 Proposed Budget balanced financial plans for the General Fund (GF) and the JumpStart Payroll Expense Tax Fund (JSF), and that those plans include an additional future year (2030) compared to current requirements. If either plan demonstrates a deficit in any year, the bill calls for a collaborative process between the City Council and Mayor process to resolve that deficit.

The bill would also request that, on September 1, 2026 and the three years thereafter, the Executive provide a report on outcomes in program areas funded by the GF and/or JSF as referenced in the bill and similar outcome data for new or additional funding provided to mitigate federal reductions.

RCW 35.21.710 establishes maximum rates for business and occupation (B&O) taxes imposed by cities in Washington state. Subject to a majority vote by the qualified electors of a city, RCW 35.21.711 authorizes increases above the statutory maximum. Seattle currently imposes a 0.222 percent tax rate per dollar of gross business receipts received from retail and wholesale trade; manufacturing; extracting; printing and publishing activities in the city. Gross business receipts from services (broadly defined) and transport for hire are taxed at a 0.427 percent tax rate per dollar of gross receipts. To avoid any confusion or misinterpretation, the rates are fractions of a percent, so less than one percent. That said, they apply to a business's gross (total) revenues, not its net income or profit.

Businesses with total gross receipts of \$100,000 or below are exempt from paying the tax. Revenues from the tax are deposited in the City's General Fund and are available to support any City program. Based on the April 2025 revenue forecast from the Office of Economic and Revenue Forecasts, the B&O tax is projected to generate \$368.6 million in 2025 and \$385 million in 2026.

The business and occupation tax restructure proposed to the qualified voters of Seattle by this council bill would increase the rate per dollar of gross receipt from retail and wholesale trade; manufacturing; extracting; printing and publishing activities to 0.342 percent through December 31, 2032, and would decrease the rate to 0.273 percent thereafter; and would increase the rate per dollar of gross receipts from services, other and transport for hire to 0.658 percent through December 31, 2032, and would decrease the rate to 0.526 thereafter.. Based on Office of Economic and Revenue Forecasts (Forecast Office) estimates and independent estimates of the standalone credits, these rate changes would generate \$11 million of new business and occupation tax revenue in 2026. However, as detailed below, there are several factors that create uncertainty about this forecast of the potential incremental revenues.

Of the new revenue, \$28 million would offset the projected loss of business and occupation tax revenue resulting from increasing the exemption threshold to \$2 million; and an additional \$31 million would be offset by the new \$2 million standard deduction for all taxpayers. In applying the standard deduction, taxpayers would be able to choose which line of business income is deducted first.

Subject to allocation through the fall budget process, the bill would dedicate the remaining revenues from the higher rates, estimated at \$80 million. Proceeds shall be used to support City investments in food access, gender-based violence services, small business supports, emergency

shelter, homelessness prevention, and support for worker's rights and protections. Up to \$30 million in proceeds may also be used to: 1) pay for implementation costs and ongoing administration of the tax (see Section 4 below for further details on these costs); and 2) mitigate the impact of federal funding reductions related to housing stability for low-income tenants, food insecurity, financial stability for affordable housing providers and properties and emergency shelters and homelessness.

The Executive is required to consult with the City Council, at least three months prior to the Executive transmitting the budget, on the impact of actual and anticipated revenue reductions and federal funding cuts on the program areas described in the above paragraph and how the revenues generated by the ordinance will be utilized. Additionally, the Executive must submit to the City Council, at the same time the budget is transmitted, a written proposed plan outlining how the new revenue generated by this ordinance is to be utilized in these program areas.

The Forecast Office memorandum that describes the analysis and methods used to derive the rates to generate these revenue amounts identified several risks and considerations, including:

- Unpredictability of federal fiscal and trade policy, including heightened inflationary pressures from tariffs;
- Heightened chance of a national recession in the next 12 months;
- Limited data to inform the local tax base implications of Engrossed Substitute Senate Bill (ESSB) 5814, which shifts some service business types to retail for purposes of B&O tax;
- Concentration of the B&O tax base to a smaller number of taxpayers, by way of increasing the exemption threshold, which would make the tax more volatile and increase the tax burden for remaining taxpayers;
- Recent history of tax increases affecting current B&O taxpayers, including the imposition of the City's payroll expense tax and a subsequent rate increase; a new payroll tax to support social housing; and an increase to State B&O tax rates in ESSB 5814.
- Lower current B&O tax rates at neighboring cities imposing a B&O tax; and,
- Large overall rate increases in percentage terms.

While the Forecast Office did not explicitly estimate the impacts of most of these considerations (the estimated implications of ESSB 5814 on the tax base was included in calculating the proposed rates, though as cited above the data was limited), each of these can be seen as potential downside risks, in the form of the possibility of changing economic assumptions and/or the reaction of taxpayers to tax rate changes. The full Forecast Office memorandum is attached. It is worth noting that the estimated revenue impact from the Forecast Office was adjusted by the self-reported impact of the standalone credits on impacted organizations. These self-reported impacts totaled approximately \$9.3 million; while specific taxpayer information is confidential, publicly available receipts information generally confirms this amount.

It is worth noting that there are also upside considerations, including:

- Tax relief supported by the new revenues from the tax increase could allow some small business to remain in business in the face of economic pressures;

As with the listed potential downsides, the impact of these is inestimable.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ Yes ☒ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ Yes ☒ No

This legislation provides for a business and occupation tax restructure proposal to be placed on the ballot, which, if approved, would restructure the tax, providing an estimated \$81 million of new General Fund revenue for small business tax relief, housing, human services, and workforce support beginning in 2026. This amount would grow annually by the rate assumed in the overall revenue forecast for the B&O tax. These revenues are not added to the City's budget through this legislation but will be accounted for in separate legislation if the rate increase is approved.

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

As noted above, this legislation does not directly impact the adopted budget. Appropriations of new revenue will be approved in separate legislation if voters approve the tax increase.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.

N/A

4. OTHER IMPLICATIONS

- a. Please describe how this legislation may affect any departments besides the originating department.

The Office of City Finance in the Department of Finance and Administrative Services (FAS) administers the taxpayer education, compliance, and audit functions for all City taxes, including the business & occupation tax. To meet the tight implementation timeline, City Finance staff would likely need to begin implementation prior to the November vote.

City Finance staff initial estimates of implementation costs include \$2.3 million for system changes in 2025, and approximately \$1.5 million in ongoing costs, including personnel. In addition to this cost, additional staffing may be required to administer the new standalone credits added in the bill. In the event these changes result in stability issues to the legacy system, City Finance Staff estimate an additional \$2.7 million would allow for accelerated system replacement costs in 2027.

FAS revenue administration staff would implement tax structure changes in collaboration with system vendors and Seattle Information Technology staff, including submitting any budget requests to support these costs as needed.

- b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**
No.

- c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This council bill submits a question for the public ballot and would not directly nor indirectly impact historically disadvantaged communities. However, the revenue raised by the tax increase would be dedicated to small business tax relief, housing, human services, and workforce support, which may benefit these communities. Further, tax relief would be provided to businesses with less than \$5.7 million in revenue, which may also benefit disadvantaged communities.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

N/A

- iii. What is the Language Access Plan for any communications to the public?**

Information about the proposed ballot measure will be provided to the public as part of the standard voter's pamphlet. A translated version of this document is generally available in a number of languages.

- d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

N/A

- ii. **Resiliency:** Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

N/A

- e. **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)? What mechanisms will be used to measure progress towards meeting those goals?

5. CHECKLIST

Please click the appropriate box if any of these questions apply to this legislation.

- ☐ Is a public hearing required? No
- ☐ Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required? No
- ☐ If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies? Not applicable
- ☐ Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization? No

6. ATTACHMENTS

Summary Attachments:

1. Office of Economic and Revenue Forecasts Memo – June 26, 2025



MEMORANDUM

Date: June 26, 2025
To: Tom Mikesell, Policy Analyst, City Council Central Staff
From: Jan Duras, Interim Director and Chief Economist, Office of Economic and Revenue Forecasts
Re: Request for Business and Occupation Tax 2026 Revenue and Tax Rate Estimates

1. Introduction

In this memorandum, the Office of Economic and Revenue Forecasts (Forecast Office) provides the requested analysis of a change in the structure of the Business and Occupation (B&O) tax that would effectively on January 1, 2026

- increase taxable threshold from \$100,000 to \$2,000,000
- introduce a \$2 million standard deduction
- increase tax rates to raise \$90 million in additional revenues in 2026, relative to the April 2025 revenue forecast for that year.

2. 2024 Business and Occupation Tax revenues

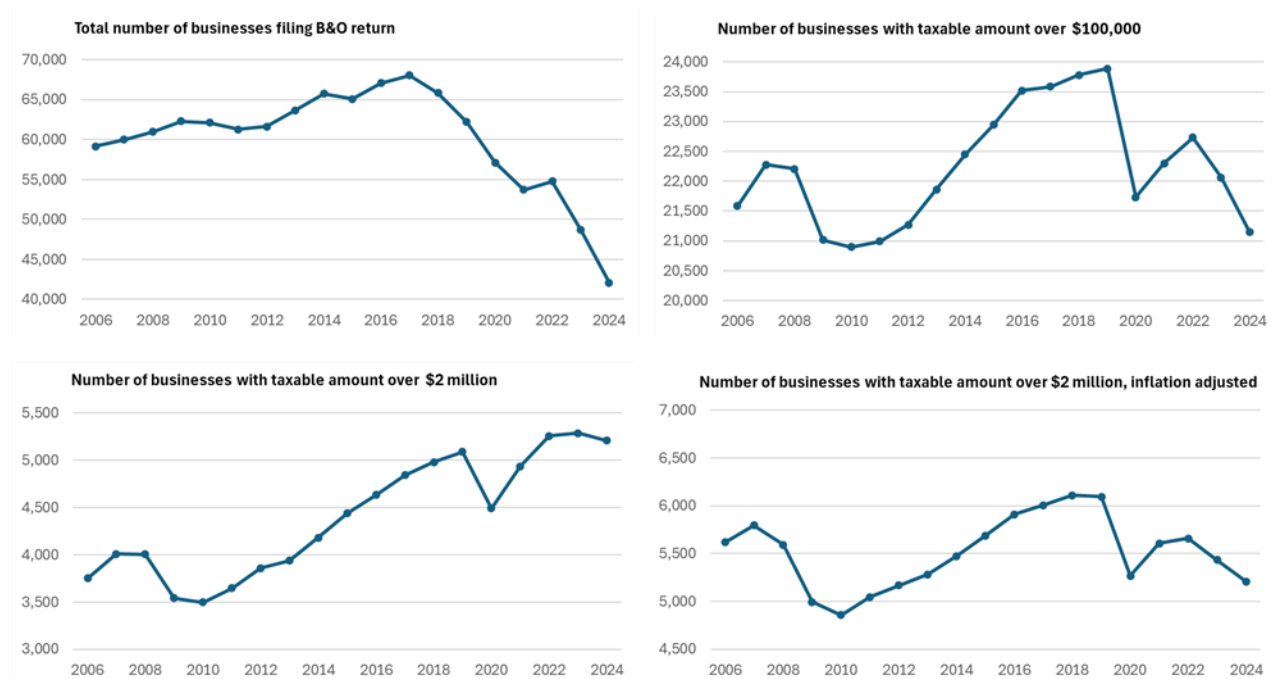
B&O tax returns data for 2024 was first used to obtain the aggregate tax revenues by business activity classification and by taxable amount, to obtain initial insights about the concentration of B&O revenues.

Table 1. Business and Occupation Tax - 2024 total tax due by taxpayers' taxable amount

	Current Tax Rate	Businesses with taxable amount up to \$2 million	Businesses with taxable amount over \$2 million	All businesses
Manufacturing - Extracting	0.222%	\$386,499	\$6,866,420	\$7,252,919
Wholesaling	0.222%	\$2,717,090	\$34,356,211	\$37,073,301
Retail Sales & Retailing Services	0.222%	\$9,452,494	\$61,879,493	\$71,331,987
Printing – Publishing	0.222%	\$74,141	\$688,464	\$762,605
Tour Operator or Processor for Hire	0.222%	\$27,897	\$89,933	\$117,830
Transporting Freight for Hire	0.427%	\$144,664	\$1,104,036	\$1,248,701
Service & Other Business Activities	0.427%	\$15,532,302	\$219,511,964	\$235,044,266
Total		\$28,335,087	\$324,496,521	\$352,831,608

As shown in the Table 1 above, in 2024 about \$28.3 million of B&O revenues was paid by businesses with taxable amount up to \$2million. In addition, Figure 1 below shows that out of approximately 42,000 businesses that filed B&O tax return in 2024, about 21,000 businesses were above the current threshold of \$100,000 and about 5,200 businesses reported taxable amount above \$2 million. Increasing the taxable amount threshold to \$2 million would thus shrink the number of taxpayers by about 75%.

Figure 1. Number of businesses filing Business and Occupation Tax returns



3. Business and Occupation Tax revenues estimate for 2026

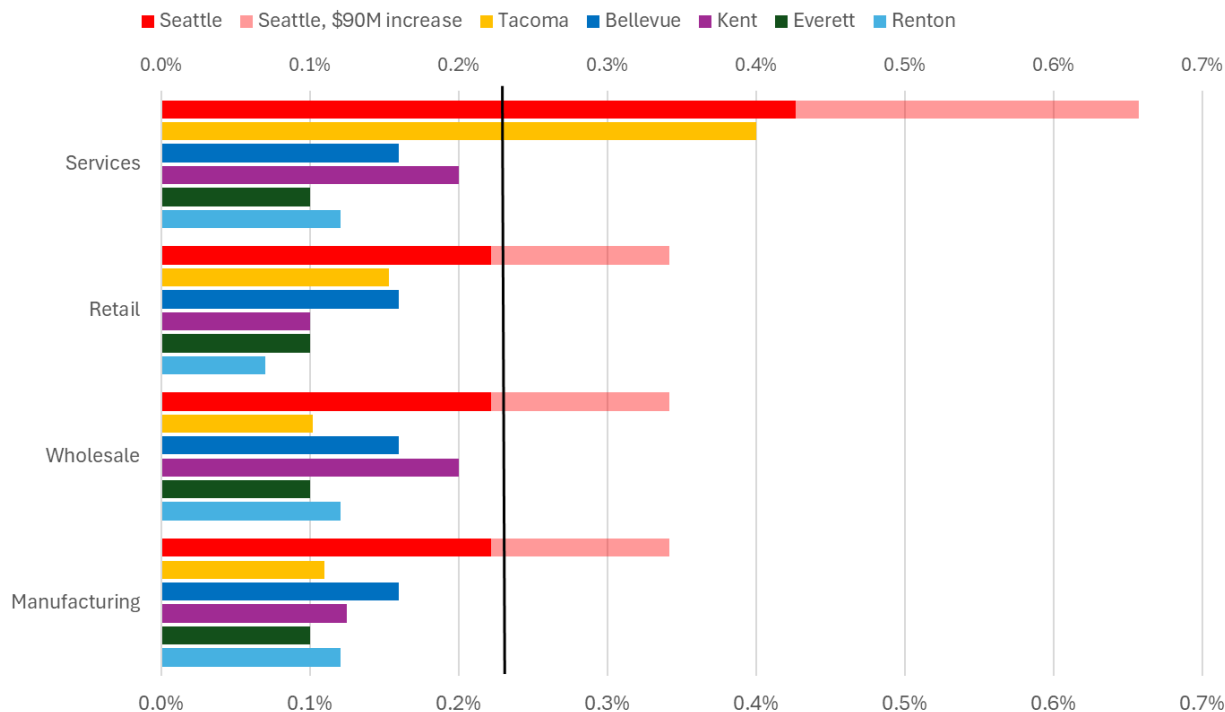
Revenue forecast developed by the Forecast Office in April 2025 was next used together with the revenue collection data to estimate the 2026 B&O revenues by business activity classification. To obtain B&O revenue estimates for 2026, it is also necessary to account for the revenue loss due to Washington State Senate Bill 5814, which makes certain services (IT training services, technical support, custom website development services, digital automated services, security services, temporary staffing services, advertising services, live presentations) subject to the sales tax and the B&O tax rate for retail sales; generally these services are currently subject to the higher B&O tax rate imposed on service and other business activities. The resulting estimates for 2026 B&O revenues are presented in the Table 2 below.

Table 2. Business and Occupation Tax - estimates of 2026 tax due, \$ millions

	Current Tax Rate	Taxpayers with taxable amount up to \$2 million - total tax due	Taxpayers with taxable amount over \$2 million - tax due on taxable amount up to \$2 million	Taxpayers with taxable amount over \$2 million - tax due on taxable amount over \$2 million	Total B&O tax due
Manufacturing, Wholesaling, Retail Sales, Printing, and Tour Operator or Processor for Hire	0.222%	\$13.4	\$14.4	\$123.4	\$151.2
Service & Other Business Activities and Tour Operator or Processor for Hire	0.427%	\$15.0	\$18.4	\$188.4	\$221.8
Total		\$28.4	\$32.8	\$311.8	\$373.0

The increase of the threshold to \$2 million in 2026 is estimated to result in B&O tax revenue loss of \$28.4 million, the \$2 million standard deduction would further reduce revenues by additional \$32.8 million. To make up for the combined \$61.2 million loss and to further increase B&O revenues by \$90 million over the April 2025 forecast for 2026, tax rates would have to increase by a factor of 1.54. This would increase the lower B&O rate from 0.222% to 0.342% and the higher rate from 0.427% to 0.658%. Figure 2 below shows the current B&O tax rates and tax rates after the increase and compares them to the B&O tax rates in other large cities close to Seattle.

Figure 2. Business and Occupation Tax rates



Note: Black line denotes 0.2% statutory limit. Redmond and Kirkland do not impose Business and Occupation tax.

4. Risks to the revenue estimate

Any forecasts or estimates of future revenues have some uncertainty associated with them. The amount of economic uncertainty is however remarkable now, due to a number of recent policy changes on the national, state, and local level. As a result, there are notable risks to the presented estimates that should be taken into account.

First, when it comes to the outlook for national and regional economies in 2026, higher tariffs are expected to push inflation higher, increasing costs for households and businesses, and slowing economic growth. Recession fears have subsided somewhat since the April revenue forecast was developed, but the likelihood of a recession in the next 12 months is still 40%-50%, which is uncomfortably high. Based on the Washington State Employment Security Department data released in June, Seattle area regional economy has in the first five months of 2025 lost about 8,000 jobs compared to the same period in 2024, which is a 0.4% decline. Employment in the national economy has grown 1.1% during the same period. Overall, a variety of data suggests that the regional economy is currently more vulnerable than the national one, raising the risks and the negative implications of a potential downturn.

Second, data that can be used to obtain revenue impact estimates of Washington State Senate Bill 5814 is limited, there is a lot of uncertainty regarding the affected tax base, and it is also not clear what kind of sourcing rules will be applied to services affected until rule making takes place. As a result, the actual B&O revenue loss due to Senate Bill 5814 can be materially lower or higher than the underlying estimate here. This would also mean lower than predicted additional revenue from B&O tax rate increase.

Third, the number of businesses paying B&O tax would drop significantly as the result of this proposal, from more than 22,000 to about 5,400. Moreover, about 400 businesses will be paying 75% (\$345 million) of the total tax, top 90 businesses about 50% (\$236 million), and top 20 about 30% (\$140 million) of the total B&O tax revenues. At the same time, to cover the revenue loss due to a higher threshold, new deduction, and to raise \$90 million in additional revenue the B&O tax rate would have to increase substantially for businesses paying a larger share of this tax – top 270 businesses would be paying \$100 million more combined, facing a 54% increase in their 2026 tax burden. Top 30 taxpayers would be paying about \$50 million more combined, a 54% increase as well. There is a significant overlap between the taxpayers subject to Payroll Expense Tax and the top taxpayers of the B&O tax. As a result of a higher concentration of B&O tax if the proposed changes are implemented, both revenue streams will be more closely tied to financial fortunes and decisions of a relatively small number of businesses. This would make B&O tax revenues more volatile and less predictable.

Finally, this would be another business tax increase in a short period of time, including the Payroll Expense Tax imposed in 2021, Payroll Expense Tax rates increase in 2024, new Social Housing Tax starting in 2025, tax increase in 2025 due to Senate Bill 5814, and finally this proposed change in Business and Occupation tax in 2026. It is important to note that as shown above, the B&O tax rates in Seattle are already much higher than in the surrounding cities. It is difficult to predict how large businesses will react to the cumulative impact of all these increases in tax burden, but several large employers have recently moved thousands of jobs out of Seattle, to some of the surrounding cities. A large increase in B&O tax rates could potentially further exacerbate this problem, which would then lead to negative downstream effects, lower job and income growth in the local economy, as well as lower B&O Tax, Payroll Expense Tax, and Sales Tax revenue growth in the coming years.

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Amendment A Version 1 to CB 121028 - B&O Tax Ordinance

Sponsor: Councilmember Rivera

Add public health as an eligible use

Effect: CB 121028 identifies a specific set of General Fund investments which would be eligible for “backfill” from the revenue generated by the proposed B&O tax restructuring, as detailed in the amendment text below. This amendment would add immigrant and refugee services to the list of eligible investments.

Amend subsection 5.B.2 of CB 121028 as follows:

* * *

B. The proceeds shall be used:

1. For the business and occupation tax threshold lift and deduction for small businesses.

2. To pay for programs or activities that receive City General Fund or JumpStart Payroll Expense Tax Fund (JumpStart Fund) appropriations as of the effective date of this ordinance, in the following program areas:

- a. Food access;
- b. Gender-based violence;
- c. Small business supports, including but not limited to storefront repairs and Business Improvement Areas;
- d. Emergency shelter;
- e. Homelessness prevention;
- f. Support for workers’ rights and protections;
- g. Public health;
- h. Workforce development and job readiness training; ~~((and,))~~
- i. Arts and culture~~((:));~~ and
- j. Immigrant and refugee services, including but not limited to, legal assistance and representation.

* * *

Amendment B Version 1 to CB 121028 – B&O Tax ORD

Sponsor: Councilmember Rivera

Technical correction to bill title

Effect: This amendment would revise the bill title to align with the approval of tax credits by the Select Budget Committee.

Amend the bill title as follows:

AN ORDINANCE relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, create offsetting credits for certain eligible businesses, and revise the business license tax consistent with changes to the business and occupation tax; adding a new Section 5.45.105 to the Seattle Municipal Code; amending Sections 5.45.050, 5.45.100, 5.55.030, and 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.