



SEATTLE CITY COUNCIL
CENTRAL STAFF

Public Safety Sales Tax: Policy Considerations

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SELECT BUDGET COMMITTEE
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Background

Chapter 350, Laws of 2025 (effective July 27, 2025)

- Provides for a 0.1% councilmanic sales tax for public safety purposes
- Would generate \$39M in 2026; full amount is allocated in Mayor's Proposed Budget
- CB 121083 would impose the tax, but does NOT establish the associated spending. Funding allocations will be made with the budget itself.
- Due to Department of Revenue implementation deadlines, tax must be adopted by October 18th to receive a full year's revenue in 2026.
- Seattle cannot create its own deductions, exemptions or credits against this tax, so there are limited policy choices in how it is implemented.

Policy Considerations (1 of 3)

1. Sales taxes are regressive, meaning their impacts are larger on those with lower incomes:
 - Current 2025 tax rate on purchases in Seattle is 10.35%. The 2026 tax rate on most purchases would be 10.55% with the King County increase and this increase (most food bought from grocery stores for consumption at home is exempt).
 - Would add \$25 to a \$25,000 car purchase, for example.
 - Current economic environment indicates high inflation will continue, with the full impact from tariffs still uncertain.

Policy Considerations (2 of 3)

2. Delaying adoption to coincide with final Council action on the budget would reduce 2026 revenue by \$9M (1st quarter revenue) based on Forecast Office estimates
3. October revenue forecast risk:
 - National jobs data has shown considerable weakness since the August Forecast.
 - The balance of uncertainty weighs towards a revenue forecast reduction in October.

Policy Considerations (2 of 3)

4. Updated General Fund Financial Plan shows a \$140 million deficit beginning in 2027, even after assuming passage of both the Business and Occupations Tax restructure authorized and the new public safety sales tax.
5. So, the projected deficit remains, and at least two of the available revenue options will no longer remain as potential “solutions”.
6. Note that the State authorizing legislation does not include a non-supplanting clause, meaning that revenues from this new tax authority can be used for existing public safety expenditures. In the 2026 Proposed Budget, approximately \$24 million of the revenue is assigned to new spending, and \$15 million supplants existing eligible spending in the 2026 Endorsed Budget, providing a net \$15 million for other items added in the budget proposal.

Questions?