

Amendment 3 Version 1 to CB 121028 - B&O Tax ORD

Sponsor: Councilmember Kettle

Remove sunset, and potential extension, provisions and replace with revenue neutral structure beginning in 2033

Effect: The underlying council bill includes a January 1, 2030 sunset date, after which time all the ordinance's provisions would expire, resetting the business and occupation tax structure to its current state. The ordinance also provides for a future City Council, by way of an ordinance passed no later than July 31, 2029, to extend the sunset date by an additional term of up to four years.

This amendment would: remove the sunset date and provision for the sunset extension, making the \$2 million standard deduction, \$2 million small business exemption threshold, and conforming business license fee changes permanent; and would impose new B&O tax rates beginning January 1, 2033 that would be sufficient to fund these structural changes but would not provide net new revenue above current baseline projections.

As a result, tax structure changes that shift the burden from lower income payers to higher income taxpayers would remain in place, but rates would be reduced to a level only needed to fund those changes compared to current revenue baselines. This structure would provide, beginning in 2033, approximately \$90 million of lower revenue, plus forecast growth, compared to what the structure in the underlying bill would provide if a future city council authorized the optional one-time four-year extension.

Amend Section 1 of CB 121028 as follows:

Section 1. 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.

Amend Section 6 of CB 121028 as follows:

Section 6. ~~((Subject to and contingent upon approval of the qualified voters of the City, this ordinance shall be automatically repealed without subsequent City Council action on January 1, 2030, unless the City by July 31, 2029 passes an ordinance extending its effectiveness. The duration of the extension may be no more than four years.))~~ This ~~((section))~~ ordinance does not limit the City's ability to pass other ordinances that amend the 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.

Amend Section 7 of CB 121028 as follows:

Section 7. 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.

Mikesell
Select Budget Committee
July 30, 2025
D1

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. ~~((The changes would end after four years, unless extended by ordinance for up to four more years.))~~ Proceeds would support the general fund and critical city services threatened by federal cuts.

Should this Proposition be approved?

Yes

No

Add a new Section 8 of CB 121028 as follows, and renumber subsequent sections and section references as appropriate.

Section 8. 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.