

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

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; amending Sections 5.45.050, 5.45.100, and 5.55.030, 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

..body

WHEREAS, the Office of Economic and Revenue Forecasts's 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

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

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

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

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

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

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

1 WHEREAS, The City of Seattle adopted Resolution 32168 reaffirming Seattle as a Welcoming
2 City to immigrants and refugees in May 2025, in which council committed to the
3 consideration of maintaining funding for programs and policies that support immigrants
4 and refugees, low-wage workers, communities at risk of displacement, as well as
5 supporting the City’s diverse business community and balancing the City’s budget in a
6 way that minimizes harm to women-and-minority-owned business enterprises, the
7 LGBTQ business community, and the Office of Economic Development’s community
8 wealth building strategies; and

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

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

14 WHEREAS, according to a comparative analysis¹, starting a business in Seattle is expensive,
15 time-consuming, and complex; and

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

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

¹ <https://ij.org/report/barriers-to-business/city-profile/seattle/>

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

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

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

9 WHEREAS, by increasing the business and occupation tax exemption to \$2 million in gross
10 revenues and by implementing a standard deduction for the first \$2 million in gross
11 revenues earned, over 90 percent of businesses in Seattle will either pay no or fewer
12 taxes; and

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

15 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

16 Section 1. Subject to and contingent upon approval of the qualified voters of the City as
17 authorized by RCW 35.21.711, Section 5.45.050 of the Seattle Municipal Code, last amended by
18 Ordinance 125211, is amended as follows:

19 **5.45.050 Imposition of the tax—Tax or fee levied**

20 Except as provided in subsection 5.55.040.D.1, there is hereby levied upon and shall be collected
21 from every person a tax for the act or privilege of engaging in business activities within the City,
22 whether the person's office or place of business be within or without the City. The tax shall be in

1 amounts to be determined by application of rates against gross proceeds of sale, gross income of
2 business, or value of products, including by-products, as the case may be, as follows:

3 A. Upon every person engaging within the City in business as an extractor; as to such
4 persons, the amount of the tax with respect to such business shall be equal to the value of the
5 products, including by-products, extracted within the City for sale or for commercial or industrial
6 use, multiplied by the rate of .00215 through December 31, 2016, and beginning January 1,
7 2017, through December 31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018,
8 through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, by the rate of
9 .00342. The measure of the tax is the value of the products, including by-products, so extracted,
10 regardless of the place of sale or the fact that deliveries may be made to points outside the City.

11 B. Upon every person engaging within the City in business as a manufacturer; as to such
12 persons, the amount of the tax with respect to such business shall be equal to the value of the
13 products, including by-products, manufactured or processed within the City, multiplied by the
14 rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December
15 31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025,
16 by the rate of .00222, and beginning January 1, 2026, by the rate of .00342. The measure of the
17 tax is the value of the products, including by-products, so manufactured or processed, regardless
18 of the place of sale or the fact that deliveries may be made to points outside the City.

19 C. Upon every person engaging within the City in the business of making sales of retail
20 services, or making sales at wholesale or retail; as to such persons, the amount of tax with
21 respect to such business shall be equal to the gross proceeds of such sales of the business without
22 regard to the place of delivery of articles, commodities, or merchandise sold, multiplied by the
23 rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December

1 31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025,
2 by the rate of .00222, and beginning January 1, 2026, by the rate of .00342.

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

4 1. Printing;

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

7 3. Publishing newspapers, magazines, and periodicals;

8 4. Extracting for hire;

9 5. Processing for hire; or

10 6. Conducting a tour operator business; as to such persons, the amount of tax on
11 such business shall be equal to the gross income of the business multiplied by the rate of .00215
12 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the
13 rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025, by the rate of
14 .00222, and beginning January 1, 2026, by the rate of .00342.

15 E. Upon every motor carrier engaging within the City in the business of transporting
16 freight for hire; as to such persons, the amount of the tax with respect to such business shall be
17 equal to the gross income from the transport of freight picked up in the City multiplied by the
18 rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December
19 31, 2017, by the rate of .00423, (~~and~~) beginning January 1, 2018, through December 31, 2025,
20 by the rate of .00427, and beginning January 1, 2026, by the rate of .00658. The business of
21 transporting freight for hire includes the business of leasing or renting motor vehicles operated
22 by the lessor, or by a person under the control of the lessor, to transport freight for hire.

1 F. Upon every other person engaging within the City in any business activity other than
2 or in addition to those enumerated in the above subsections; as to such persons, the amount of tax
3 on account of such activities shall be equal to the gross income of the business multiplied by the
4 rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December
5 31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018 through December 31, 2025,
6 by the rate of .00427, and beginning January 1, 2026, by the rate of .00658. This subsection
7 includes, among others, and without limiting the scope hereof (whether or not title to material
8 used in the performance of such business passes to another by accession, merger, or other than
9 by outright sale), persons engaged in the business of developing or producing custom software or
10 of customizing canned software, producing royalties or commissions, persons engaged in the
11 business of freight brokering, and persons engaged in the business of rendering any type of
12 service which does not constitute a sale at retail, a sale at wholesale, or a retail service.

13 Section 2. Subject to and contingent upon approval of the qualified voters of the City,
14 Section 5.55.040 of the Seattle Municipal Code, last amended by Initiative 137, is amended as
15 follows:

16 **5.55.040 When due and payable—Reporting periods—Monthly, quarterly, and**
17 **annual returns—Threshold provisions—Computing time periods—Failure to file returns**

18 * * *

19 D.

20 1. For purposes of the tax imposed by Chapter 5.45, any person whose gross
21 proceeds of sales, gross income of the business, and value of products, including by-products, as
22 the case may be, from all activities conducted within the city subject to tax after all allowable
23 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 3. 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, there may be deducted from the measure of the tax an amount equal to the tax threshold amount defined in subsection 5.55.040.D.3. 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 4. 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;

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

5 ~~((3-))~~ c. Five hundred dollars for persons with taxable gross income of the
6 business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent
7 complete calendar year that engage in any business activity, profession, trade, or occupation in
8 the City prior to July 1 and \$250 for such persons beginning their activity on or after July 1;

9 ~~((4-))~~ d. One thousand two hundred dollars for persons with taxable gross
10 income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in
11 the most recent complete calendar year that engage in any business activity, profession, trade, or
12 occupation in the City prior to July 1 and \$600 for such persons beginning their activity on or
13 after July 1.

14 ~~((5-))~~ e. Two thousand four hundred dollars for persons with taxable gross
15 income of the business and value of products of \$5,000,000 or more in the most recent complete
16 calendar year that engage in any business activity, profession, trade, or occupation in the City
17 prior to July 1 and \$1,200 for such persons beginning their activity on or after July 1.

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

1 made for the year. The amount of the fees so calculated will be rounded to the nearest whole
2 dollar.

3 4. For the 2026 business license tax certificate fee computation and every year
4 thereafter, the fees in subsections 5.55.030.A.2 and 5.55.030.A.3 shall be based on the taxable
5 gross income of the business prior to the taking of the standard deduction under subsection
6 5.45.100.W.

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

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

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

Section 5. 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 2.B and 2.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 2.B and 2.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 for the business and occupation tax threshold lift and deduction for small businesses, and for implementation costs and ongoing administration of the tax. Proceeds shall be used to fund City General Fund investments in the following program areas

1. Food access;
2. Gender-based violence;
3. Small business supports;
4. Emergency shelter;
5. Homelessness prevention; and
6. Support for workers' rights and protections.

C. Up to \$30 million in proceeds may be used to mitigate the impact of federal funding reductions in the following program areas:

1. Housing stability for low-income tenants;

2. Food insecurity

3. Financial stability for affordable housing providers and properties; and

4. Emergency shelters and homelessness.

Section 6. Expiration and renewal. 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 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.

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 5 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.

1 The City of Seattle's Proposition 2, would: increase business and occupation tax rates
2 currently at .00222 and .00427 to .00342 and .00658, respectively, as listed in Seattle Municipal
3 Code 5.45.050; increase the threshold in Seattle Municipal Code 5.55.040.D.3 below which a
4 business does not pay the tax from \$100,000 to \$2,000,000; and create a \$2,000,000 standard
5 deduction. Proceeds from the rate increase have their uses limited to the items in Section 5 of
6 Ordinance _____.

7 Should this Proposition be approved?

8 Yes

9 No

10 Section 8. Any act consistent with the authority of this ordinance taken after its passage
11 and prior to its effective date is ratified and confirmed.

Section 9. Sections 1 through 5 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)