

B&O Tax Changes

Council's Select Budget Committee
July 16, 2025

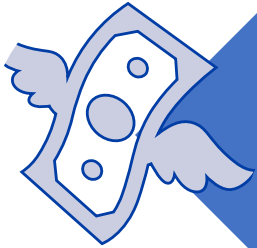


Seattle Faces Increasing Economic Challenges



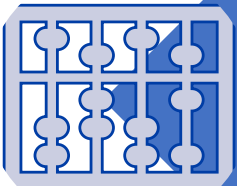
Increasing overall cost of living:

Among all cities and urban areas, Seattle ranked as the **11th most expensive place to live**. Seattle's average rent rose to \$2,110 per month in June.



Increasing business and property costs:

Nationally, 37% of small businesses couldn't pay rent in November. In Washington, net margins for restaurants decreased from 4% to 1.5%.

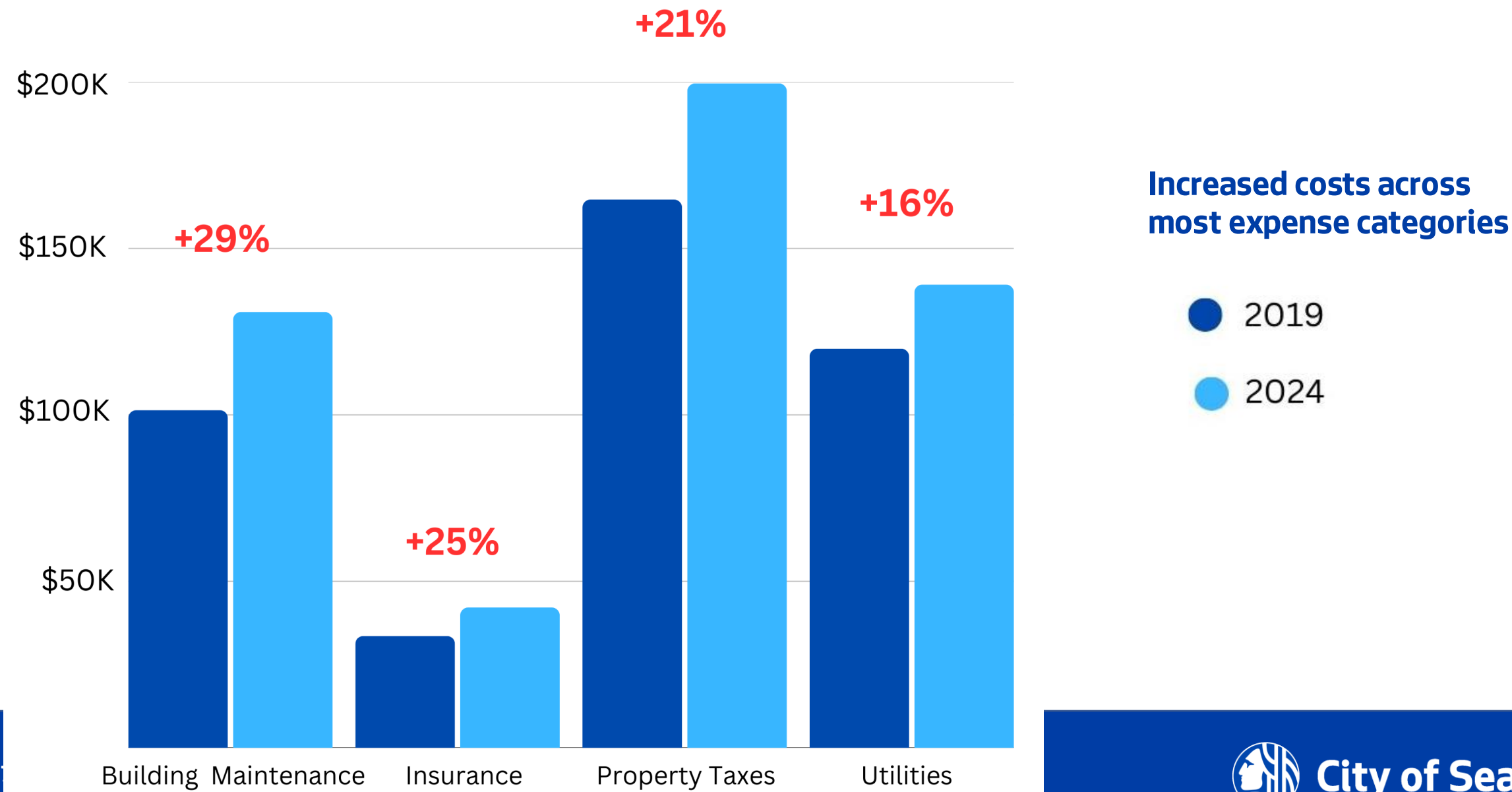


State and Federal Uncertainties:

We have hundreds of millions of dollars in federal grants that are imperiled by the current administration. Currently, the congressional “One Big Beautiful Bill” legislation will have direct impacts on Medicaid, SNAP benefits, and more that will directly affect our community.



Small Business Workgroup Snapshot:
2019 vs 2024 expenses from local property and business owner



The City's Budget Snapshot

- The City is experiencing an ever-increasing demand on services every year, and costs and inflation continue to increase
- In April 2025, the **Forecast Council dramatically lowered its overall forecast by \$251 million for 2025/26 based on the advice of the Office of Economic and Revenue Forecasts (OERF)**. We face a deficit in 2026 and an even larger projected deficit starting in 2027
- Use of one-time funds have masked this shortfall in recent years but are no longer a viable option without new revenues or a reduction in services



Seattle's Response

Mayor Harrell has proposed a balanced budget for the last three years. He's:

- Reduced programmatic investments, identified business efficiencies, and unfortunately had to lay off employees,
- Streamlined functions across departments including the Unified Care Team (UCT), the Downtown Activation Team (DAT), and the Permitting & Customer Trust Team (PACT), and
- Added flexibility to spending regulations.

All without proposing NEW taxes.

No single solution will solve the gap.



Proposal

7/16/2025

Seattle Mayor's Office



City of Seattle

B & O Ordinance Changes

To address these challenges, Mayor Harrell and Councilmember Rinck propose changing the City's Business and Occupation tax:



RAISES B&O TAX EXEMPTION THRESHOLD FROM \$100,000 TO \$2,000,000, EXEMPTING 76% OF CURRENT B&O TAXPAYERS.



CREATES \$2,000,000 B&O DEDUCTION, LOWERING TAXES FOR 90% OF CURRENT B&O TAXPAYERS.



RAISES B&O TAX RATES FOR GROSS REVENUE OVER \$2M TO RAISE \$90M FOR CRITICAL HUMAN SERVICES AND PROGRAMS.

Business Impact Snapshot

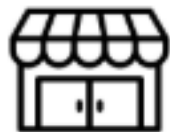
What's Changing for Seattle Businesses in 2026?

Business A - \$100,000 gross revenue



No change: currently exempt from Seattle B&O tax

Business B - \$2,000,000 gross revenue



\$6,500



Current

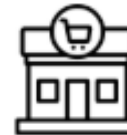


\$0

Future

Savings of \$6,500 annually due to increased exemption threshold

Business C - \$5,000,000 gross revenue



\$16,200



Current

\$14,900



Future

Savings of \$1,300 annually due to new deduction for first \$2M in gross revenue

Business D - \$12,000,000 gross revenue



\$38,900



Current

\$49,700



Future

Increase of \$10,800 annually due to increase in B&O tax rates for revenue over \$2M



Spending Plan

Proposed revenue will:

- 1) **Support the threshold lift and deduction for small businesses**
- 2) **Support the City's General Fund investments in:**
 - Food access
 - Gender-based violence
 - Small business supports
 - Emergency Shelter, homelessness prevention,
 - Support for workers' rights and protections
- 3) **Up to \$30 million in proceeds may be used to mitigate the impact of federal funding reductions in:**
 - Housing stability for low-income tenants
 - Food insecurity
 - Financial stability for affordable housing providers and properties
 - Emergency Shelter and Homelessness



Timing

This bill will provide relief to our community during a challenging time for Seattle and our nation.

It will sunset after four years, with one councilmanic option to renew for four additional years if necessary.



Questions?

7/16/2025

Seattle Mayor's Office



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