

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
CBO/FAS	Joseph Cunha/	Dave Hennes/4-0537

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to taxation; providing relief from taxation of cancellation of indebtedness as income on persons engaging in business in Seattle; and amending Section 5.45.090 of the Seattle Municipal Code.

**Summary and background of the Legislation:** In response to the economic fallout of the global pandemic, the 116th Congress of the United States passed an economic stimulus bill, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under section 1102 of the CARES Act the Small Business Administration (SBA), in consultation with the Department of the Treasury, administers the Paycheck Protection Program (PPP) for economic relief, which provides loans designed to provide a direct incentive for small businesses to keep their workers on the payroll. Also under Section 1102 of the CARES Act, the SBA will forgive repayment of the PPP loans if all employee retention criteria are met and the funds are used for eligible expenses. Under Section 1105(i) of the CARES Act, cancellation of indebtedness is excluded from gross income for purposes of the Internal Revenue Code, but under Chapter 5.45 of the Seattle Municipal Code, cancellation of indebtedness is not excluded from gross income for purposes of the Seattle Business License Tax. This ordinance exempts this income from taxation for purposes of the Seattle Business License Tax.

### **2. CAPITAL IMPROVEMENT PROGRAM**

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

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**       Yes  No

**Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

The 2020 Adopted Budget and subsequent General Fund revenue forecasts do not include any additional revenues related to the PPP loan program. Thus, from a budget perspective, there is no change in revenue. This legislation has no further direct or indirect costs for the City.

**Is there financial cost or other impacts of *not* implementing the legislation?**

If not implemented, the amounts involved in the cancellation of indebtedness would be subject to taxation for all those qualifying small businesses. The revenue effect of this

legislation is not known as the amount subject to cancelation of indebtedness for Seattle businesses and the business by business apportionment of this income is not known.

#### 4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**  
No
- b. **Is a public hearing required for this legislation?**  
No
- c. **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
No
- d. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
No
- e. **Does this legislation affect a piece of property?**  
No
- f. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**  
This legislation would serve to reduce the income subject to taxation relative to current law for small businesses receiving PPP loans and qualifying for cancelation of indebtedness during the pandemic. It is unknown how many of these businesses are owned by or employ or serve individuals from vulnerable or historically disadvantaged communities.
- g. **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)?**  
N/A

**List attachments/exhibits below:**