

2018 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
335	1	B	1

Budget Action Title: Pass CB xxxxxx establishing an Employee Hours Tax of \$100/FTE on firms with gross income over \$5M/yr, pass interfund loan CB yyyyyy to finance systems, and create a new CIP project in ITD

Ongoing: Yes

Has CIP Amendment: Yes Has Budget Proviso: No

Primary Sponsor: O'Brien, Mike

Councilmembers: Harris-Talley; Sawant

Staff Analyst: Tony Kilduff

Council Bill or Resolution: CB XX; CB YY

Date		Total	SB	KH	LG	BH	LH	RJ	DJ	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

Summary of Dollar Effect

See the following pages for detailed technical information

	2017 Increase (Decrease)	2018 Increase (Decrease)
General Subfund		
General Subfund Revenues	\$0	\$0
General Subfund Expenditures	\$0	\$1,600,000
Net Balance Effect	\$0	(\$1,600,000)
Other Funds		
Finance and Administrative Services Fund (50300)		
Revenues	\$0	\$1,600,000
Expenditures	\$0	\$1,600,000
Net Balance Effect	\$0	\$0
Information Technology Fund (50410)		
Revenues	\$0	\$1,600,000
Expenditures	\$0	\$1,600,000
Net Balance Effect	\$0	\$0

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Total Budget Balance Effect	\$0	(\$1,600,000)
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Budget Action description:

This green sheet would:

- Pass Council Bill XX (Attachment A) establishing an Employee Hours Tax;
- Pass Council Bill YY (Attachment B) authorizing an interfund loan; and
- Create a new CIP project (Project ID D601TCFA) in the Seattle Information Technology Department (ITD) (Attachment C).

Council Bill XX establishes an Employee Hours Tax of \$100 per full-time equivalent employee working for businesses with annual gross taxable income of \$5 million or more. The tax would affect about 10% of Seattle businesses. For the purposes of this legislation, a full-time equivalent employee is someone working at least 1,920 hours per year, resulting in a tax of about half a cent per hour worked. The tax is expected to generate approximately \$25 million.

The intent of this green sheet is that the revenue from the tax will be dedicated to addressing housing and homelessness needs, including providing support for:

- mass entry shelters;
- expansion of the Law Enforcement Assistance Diversion (LEAD) program;
- creation of vehicle safe zones; and
- investments in new rent- and income-restricted housing units and rental assistance through the Office of Housing.

The tax would go into effect January 1, 2019 to allow time for the Department of Finance and Administrative Services (FAS) and Seattle Information Technology Department time to stand up the systems and processes needed to administer the tax. Standing up the systems requires spending by FAS in 2018. This spending is supported by an interfund loan from the ITD Operating Fund to the General Subfund (Council Bill YY), increasing the 2018 General Subfund beginning balance by \$1.6 million. The Council Bill anticipates that the loan will be repaid through revenues from the tax by December 31, 2020.

Beginning in 2019, FAS expects to need approximately \$500,000 in GSF support and an unknown number of new positions to administer the tax. Those budget resources will not need to be fully evaluated or acted upon until the 2019 budget.

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Budget Action Transactions

Budget Action Title: Pass CB xxxxxx establishing an Employee Hours Tax of \$100/FTE on firms with gross income over \$5M/yr, pass interfund loan CB yyyyyy to finance systems, and create a new CIP project in ITD

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Increase GSF support to FAS to pay ITD for the systems to collect the EHT				FG	Finance and Administrative Services Fund	QA005001	00100	2018		\$1,600,000
2	Increase revenue to FAS to pay ITD for the systems to collect the EHT				FAS	Tax Administration	587001	50300	2018	\$1,600,000	
3	Increase appropriation in FAS to pay ITD for the systems to collect the EHT				FAS	City Finance Division	A4510	50300	2018		\$1,600,000
4	Increase ITD revenue from FAS for systems to collect the EHT				ITD	Rates	442810	50410	2018	\$1,600,000	
5	Increase appropriation in ITD to set up the systems to collect the EHT				ITD	Capital Improvement Projects	C7000	50410	2018		\$1,600,000