

Amendment 9 Version to CB 121028 – B&O Tax ORD

Sponsor: Vice Chair Rivera

Tax credit for non-profit pediatric hospitals

Effect: Seattle’s business and occupations tax (B&O tax) provides limited exemptions for non-profit business activity. As such, most non-profit activity is subject to B&O tax, including non-profit hospitals that primarily benefit children. This income is taxable under the City’s B&O tax. This amendment would create a tax credit for eligible non-profit hospitals that primarily benefit children equal to the amount of income received by the hospital multiplied by the tax rate increase imposed by CB 121028. The Office of City Finance anticipates additional staffing needs related to the addition of a credit program, which would be determined by way of a future budget request.

Due to disclosure constraints, the potential revenue impact cannot be reported from City data. However, while actual taxpayer data is confidential, Seattle Children’s Hospital independently reports that the restructure would add an additional \$6 million to their annual tax bill. While this is self-reported data, it provides a rough estimate of the potential revenue impacts from this amendment

Add a new Section 4 to CB 121028 as follows, add Section 5.45.105 to the bill title’s list of affected code sections, and renumber subsequent sections and section references as appropriate:

Section 4. Subject to and contingent upon approval of the qualified voters of the City, a new Section 5.45.105 of the Seattle Municipal Code is added as follows:

5.45.105 Credits

Credit for pediatric hospitals. Nonprofit hospitals specializing primarily in pediatric medicine taxable under Section 5.45.050 shall be allowed a credit against those taxes equal to the amount of gross receipts that is taxable under Section 5.45.050 multiplied by: the rate of the tax for that business, minus the rate immediately preceding the effective date of this ordinance.

A. For the purposes of this section:

1. "Hospital" has the meaning established in Revised Code of Washington Chapter 70.41.020.

2. "Nonprofit" means a corporation or organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

3. "Specializing primarily in pediatric medicine" means a hospital providing clinically appropriate health care for the special needs of pediatric and young adult patients whose care and diagnosis is best treated with pediatric expertise.

B. The calculation of the credit applies solely to gross receipts from hospital services and shall not include gross receipts from retail, wholesale, or manufacturing business activity.

Amend Section 6 to CB 121028 as follows and renumber subsequent sections and section references as appropriate:

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 does not limit the City's ability to pass other ordinances that amend the credits in Seattle Municipal Code Section 5.45.105, 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.

Mikesell
Select Budget Committee
July 30, 2025
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Amend Section 9 to CB 121028 as follows and renumber subsequent sections and section references as appropriate:

Section 9. Sections 1 through ~~((6))~~ 7 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.