

2021 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
FAS	002	A	001

Budget Action Title: Pass legislation to provide a business and occupation tax credit for businesses with 2020 income below \$200,000

Ongoing: No Has Budget Proviso: No

Has CIP Amendment: No Has Attachment: No

Primary Sponsor: Andrew Lewis

Council Members: Tammy Morales, Dan Strauss

Staff Analyst: Tom Mikesell

Council Bill or Resolution:

Date		Total	LH	TM	KS	AP	DJ	DS	AL	TM	LG
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

Summary of Dollar Effect

See the following pages for detailed technical information

	2021 Increase (Decrease)	2022 Increase (Decrease)
General Fund		
General Fund Revenues	\$(540,000)	
General Fund Expenditures	\$0	
Net Balance Effect	\$(540,000)	
Total Budget Balance Effect	\$(540,000)	

Budget Action Description:

This Council Budget Action would pass legislation to create a Business and Occupation tax credit for businesses with incomes below \$200,000 in 2020. The credit would be equal to the tax owed for income earned between July 1, 2020 and December 31, 2020, and would be applied to the final tax payment for 2020. Data provided by the City Budget Office (CBO) demonstrates that in 2019 there were 4,737 businesses in the \$100,000 to \$200,000 taxable income range (businesses with taxable income below \$100,000 are exempt from the tax), with a total tax due of \$2.3 million. Of this amount, \$1.4 million was from 3,011 businesses that file their taxes on an annual basis, and \$900,000 was from businesses that file on a quarterly basis.

Payments from annual filers are due by April of the following fiscal year, and are included as revenue in the following year. Payments from quarterly filers are due one month after the end of the quarter for

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which the payment is due, and payments are included as revenue in the current year. The differential timing of payments based on filing status impacts the timing of estimated revenue loss from the credit.

After adjusting the 2019 tax payment data by the 19.5 percent overall decrease in CBO's August 'slower recovery' projection for 2020 Business and Occupation tax revenues, it is estimated that this proposal would decrease 2020 General Fund revenues by \$150,000 and 2021 General Fund revenues by \$540,000.

It is worth noting that there are likely administrative costs for the Department of Finance and Administrative Services that are under review by the Executive, but were not available at the time of this estimate. These additional costs would be included in the 2020 estimate when they become available.

Budget Action Transactions

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BSL	Fund	Year	Revenue Amount	Expenditure Amount
1	B&O tax credit		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00100 - General Fund	2021	\$(540,000)	\$0