

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact:	CBO Contact:
Legislative	Tom Mikesell	n/a

** 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 repealing the tax on gross income derived from the business of selling or furnishing water for hire to customers; amending Sections 5.48.050 and 5.48.060 of the Seattle Municipal Code.

Summary and Background of the Legislation: This council bill would repeal, on January 1, 2025, the tax imposed on the gross income from the sale or exchange of water in the city (water utility tax). The current tax rate, effective since 2011, is 15.54 percent. Based on the April 2023 forecast from the Office of Economic and Revenue Forecasts (OERF), the tax is projected to generate General Fund (GF) revenue totaling \$37.2 million in 2023 and \$37.7 million in 2024.

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?
Since the tax would be repealed on January 1, 2025, GF revenues from the tax would be reduced in full beginning in 2025 and continuing in future years.

Are there financial costs or other impacts of *not* implementing the legislation?
No.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.a., 3.b., and 3.c. and answer the questions in Section 4.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

3.b. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2023 Revenue	2024 Est Revenue	2025 Est Revenue	2026 Est Revenue
General Fund 001000	n/a	B&O Tax-Water Utility	\$0	\$0	(\$39,402,994)	(\$41,380,609)
TOTAL			\$0	\$0	(\$39,402,994)	(\$41,380,609)

Revenue/Reimbursement Notes:

Under a January 2025 repeal, revenues from the tax would be reduced in 2025 and beyond. Based on OERF’s April 2023 forecast this would represent a \$39.4 GF revenue reduction in 2025, and a \$41.4 million reduction in 2026 and beyond.

3.c. Positions

 This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**
 Changes to the water utility tax would require Seattle Public Utilities to revise materials and systems to reflect the repeal of the tax.
- b. **Is a public hearing required for this legislation?**
 No.
- c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
 No.
- d. **Does this legislation affect a piece of property?**
 No.
- e. **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 tax is built into the water rates paid by all SPU customers. While there is an existing Utility Discount Program, which provides a 50% discount on water utility payments depending on household income thresholds (70% of state median income), the tax still applies to the remainder of utility payments paid by households having incomes below the threshold.

Repealing the tax would provide a measure of tax relief to all water customers in Seattle. Those residents for which the tax payment represents a larger relative portion of annual income would receive a disproportionate benefit. As stated in “Taxes and Racial Equity: An Overview of State and Local Policy Impacts” published by the Institute on Taxation and Economic Policy, “Over-reliance on consumption taxes like sales and excise taxes are hallmarks of the most regressive state tax codes, or tax codes that require a greater share from low-income households than from high-income households.”¹

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No.

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

No.

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

Summary Attachments (if any):

¹ <https://itep.org/taxes-and-racial-equity/>