

August 9, 2023

## MEMORANDUM

**To:** Finance and Housing Committee  
**From:** Aly Pennucci, Deputy Director  
**Subject:** Revenue Stabilization Work Group – Process and Next Steps

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On August 10, 2023, the Finance and Housing Committee will discuss the final report from the Revenue Stabilization Work Group (RSWG). The RSWG was formed in October of 2022<sup>1</sup> in response to the [Statement of Legislative Intent \(SLI\) FG-002-B-001](#).<sup>2</sup> The SLI expressed the City Council's commitment to work with the Mayor to identify options for making Seattle's tax structure more equitable and generating new revenue for city priorities. The SLI requested that this work include empaneling a task force of community experts to develop a report listing progressive revenue options.

In August 2023, the RSWG finalized their report (full report is attached to the August 10 Committee agenda). This memo provides a brief overview of the process to develop the report and outlines next steps for the Council's consideration.

### Overview of Process

The workgroup included 12 members and two co-chairs: Councilmember and Budget Chair Teresa Mosqueda and Senior Deputy Mayor Monisha Harrell.<sup>3</sup> The group met nine times between October 2022 and August 2023. After initial discussions that provided background and context that led to the 2021 SLI, the work group evaluated over 60 potential revenue ideas using the criteria described in Table 1.

*Table 1: RSWG Evaluation Criteria<sup>4</sup>*

Evaluation Criteria	Key Question
State Authority	Can the City proceed without further State action?
Requires a Vote	Is a ballot measure required?
Gross Revenue Potential	How much new tax revenue will the idea generate?
Progressivity & Racial Equity Impact	Does the tax burden increase with income? Will Black, Indigenous, and People of Color be disproportionately impacted?
Economic Impact	What are the effects on overall economic activity and employer sustainability and growth?
Timing Considerations	How soon could the tax be implemented?
Feasibility	How does the tax measure up against a range of other considerations? (Legal, political, administrative)?

<sup>1</sup> See the October 11, 2022 press release: [City of Seattle Forms Revenue Stabilization Work Group - Office of the Mayor](#).

<sup>2</sup> Statement of Legislative Intent (SLI) [FG-002-B-001](#) was adopted by the City Council in 2021.

<sup>3</sup> See Appendix A of the RSWG Final Report for a complete list of the RSWG Members. Deputy Mayor Tiffany Washington replaced Senior Deputy Mayor Monisha Harrell as co-chair in July 2023.

<sup>4</sup> Final Report of the Revenue Stabilization Workgroup, August 7, 2023; P. 7

The group was charged with developing a report listing revenue options for the City's consideration. Using the criterion outlined in Table 1, the RSWG identified nine revenue options:

1. Changes to the JumpStart Payroll Expense Tax
2. City-level Capital Gains Tax
3. High CEO Pay Ratio Tax
4. Vacancy Tax
5. Progressive Real Estate Excise Tax
6. Estate Tax
7. Inheritance Tax
8. Congestion Tax
9. Income Tax<sup>5</sup>

### **Next Steps**

The Council and the Mayor can use this report to inform decisions about which, if any, of these ideas should be further developed. From a purely practical perspective, in terms of the legislative process, Option 1 (changes to the JumpStart tax) and Option 2 (City-level capital gains tax) have legislation ready, making them best positioned to be considered on a shorter timeframe.<sup>6</sup> The remaining seven options will require more time to research, develop legislation, and, in some cases, may require changes to State law. All nine options have policy and administrative considerations to be explored in further development.

cc: Esther Handy, Director

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<sup>5</sup> See the final report for details on each revenue option.

<sup>6</sup> Option 1: [Council Bill \(CB\) 119950](#); Option 2: [CB 120601](#))