

# Items for briefing today

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1. Revenue Stabilization Work Group - Update
2. LEG Budget Process RES
3. LEG Fiscal Transparency Program ORD
4. LEG Wage Equity Policy ORD
5. LEG Water Tax Repeal ORD
6. LEG Capital Gains Excise Tax ORD

Up next:

- Amendment deadline for items discussed today: 5pm Thursday November 16
- Discussion and possible vote at committee: November 30



SEATTLE CITY COUNCIL  
**CENTRAL STAFF**

# Revenue Stabilization Work Group - Update

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ALY PENNUCCI, DEPUTY DIRECTOR AND ERIC MCCONAGHY, ANALYST

SELECT BUDGET COMMITTEE

NOVEMBER 15, 2023

## Statement of Legislative Intent (SLI) FG-002-B-001 (2022)

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- 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

# Revenue Stabilization Work Group (RSWG)

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- Established in October 2022 in response to SLI FG-002-B-2022
- Included 13 members and two co-chairs who met nine times between October 2022 and August 2023.
- After considering a list of 63 different revenue ideas, the Workgroup created a short list of nine review options for further consideration by the Council and the Mayor:
  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

# RSWG continued

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- Final report was released in August 2023
- Finance and Housing Committee briefing on the final report August 10, 2023.
- At that meeting, Central Staff noted that:
  - Changes to the JumpStart tax and a City-level capital gains tax had legislation ready, making them best positioned to be considered on a shorter timeframe
  - A High CEO Pay Ratio tax may be the other option technically most ready to pursue
  - Chair Mosqueda requested Central Staff prepare for potential consideration of RSW Options 1-3, during the 2023 budget deliberations:
    1. Changes to the JumpStart Payroll Expense Tax
    2. City-level Capital Gains Tax
    3. High CEO Pay Ratio Tax

# High CEO Pay Ratio

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- Central Staff began analysis to understand options for a Seattle High CEO Pay Ratio Tax
- Areas of inquiry include:
  - Review of similar taxes enacted in other cities: Portland and San Francisco
  - Review data available to help implement and administer the tax
  - Consider options for how to structure a local tax:
    - Surtax on the JumpStart Payroll Expense Tax
    - New stand-alone tax structure with a unique nexus to business activity in Seattle
    - Adapt B&O tax, which requires processes unique to Washington State

# Portland's Pay Ratio Surtax

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- Applies to publicly traded companies subject to SEC CEO Pay Ratio disclosure
- *Surtax as a percentage of the business tax amount* in addition to Portland's business tax and other taxes
- Business tax rate is 2.6% of adjusted net income
- 10% of business tax amount for companies with CEO-to-median compensation pay ratio of at least 100:1 but less than 250:1
- 25% of business tax amount for companies with CEO-to-median compensation pay ratio of 250:1 or greater

# San Francisco's Overpaid Executive Gross Receipts Tax

- Tax on gross receipts attributable to San Francisco (SF) that scales with Executive Pay Ratio in steps that is additional to SF's Gross Receipts Tax and other taxes
- "Executive Pay Ratio" is the ratio of the compensation paid to the Highest Paid Managerial Employee to the median employee compensation
- Highest Paid Managerial Employee is the individual with managerial responsibility in a business function, within or outside SF, who received the most compensation for a tax year
- For calculating the median compensation, an employee is "based in the City" if total working hours in SF exceed the total working hours in any other local jurisdiction
- Rates step with ratio increments of 100:1, example: "greater than 100:1 but less than 200:1"

Ratio	Rate
100:1 to 200:1	0.10%
200:1 to 300:1	0.20%
300:1 to 400:1	0.30%
400:1 to 500:1	0.40%
500:1 to 600:1	0.50%
Greater than 600:1	0.60%



# Next Steps

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- Continue exploring options to implement a Seattle High CEO Pay Ratio Tax
- Consider the Capital Gains proposal at the November 30 Select Budget Committee meeting (1<sup>st</sup> briefing up later today)
- Work with the next Council and the Mayor to consider other options identified by the RSWG

# Questions?