

**2018 Seattle City Council Green Sheet**

**Ready for Notebook**

Tab	Action	Option	Version
335	1	E	1

**Budget Action Title:** Amend and pass CB 119130 establishing an Employee Hours Tax, amend and pass interfund loan CB 119131 to finance tax administration systems, and create a new CIP project in ITD

Ongoing: Yes

Has CIP Amendment: Yes    Has Budget Proviso: No

Primary Sponsor: Herbold, Lisa

Councilmembers:

Staff Analyst: Tony Kilduff

Council Bill or Resolution: CB 119130; CB 119131

Date		Total	SB	KH	LG	BH	LH	RJ	DJ	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

**Summary of Dollar Effect**

*See the following pages for detailed technical information*

	<b>2017 Increase (Decrease)</b>	<b>2018 Increase (Decrease)</b>
<b>General Subfund</b>		
<b>General Subfund Revenues</b>	\$0	\$0
<b>General Subfund Expenditures</b>	<u>\$0</u>	<u>\$1,500,000</u>
<b>Net Balance Effect</b>	<b>\$0</b>	<b>(\$1,500,000)</b>
<b>Other Funds</b>		
<b>Finance and Administrative Services Fund (50300)</b>		
<b>Revenues</b>	\$0	\$1,500,000
<b>Expenditures</b>	<u>\$0</u>	<u>\$1,500,000</u>
<b>Net Balance Effect</b>	<b>\$0</b>	<b>\$0</b>
<b>Information Technology Fund (50410)</b>		
<b>Revenues</b>	\$0	\$1,500,000
<b>Expenditures</b>	<u>\$0</u>	<u>\$1,500,000</u>
<b>Net Balance Effect</b>	<b>\$0</b>	<b>\$0</b>

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<b>Total Budget Balance Effect</b>	<b>\$0</b>	<b>(\$1,500,000)</b>
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**Budget Action description:**

This green sheet would:

- Amend and pass Council Bill 119130 (Attachment A) establishing an Employee Hours Tax;
- Amend and pass as amended Council Bill 119131 (Attachment B) authorizing an interfund loan; and
- Create a new CIP project (Project ID D601TCFA) in the Seattle Information Technology Department (Attachment C).

Council Bill 119130 establishes an Employee Hours Tax of \$100 per full-time equivalent employee working for businesses with annual gross taxable income of \$5 million or more. The tax would affect about 10% of Seattle businesses. For the purposes of this legislation, a full-time equivalent employee is someone working at least 1,920 hours per year, resulting in a tax of about five cents per hour worked. The tax is expected to generate approximately \$25 million per year.

The proposed amendments to Council Bill 119130 would increase the rate and threshold for the Employee Hours Tax. As amended, the tax would be \$125 per full-time equivalent employee for businesses with annual gross taxable income of \$10 million or more, and the tax is expected to generate approximately \$25 million per year.

The proposed amendments to Council Bill 119131 are technical changes recommended by the City Attorney's Office.

This budget action assumes that Statement of Legislative Intent 335-2-B passes and thereby establishes an engagement process with stakeholders during 2018.

The intent of this green sheet is that the revenue from the Employee Hours Tax will be dedicated to addressing housing and homelessness needs, including providing support for:

- Housing and Emergency Homeless Services (Pathways Home)
- Public Health
- Homeless Youth
- Support for Survivors of Gender-based Violence
- Safer Communities

The tax would go into effect January 1, 2019 to allow time for the Department of Finance and Administrative Services (FAS) and Seattle Information Technology Department time to stand up the systems and processes needed to administer the tax. Standing up the systems requires spending by FAS in 2018. This spending is supported by an interfund loan from the ITD Operating Fund to the General Subfund (Council Bill 119131),

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increasing the 2018 General Subfund beginning balance by \$1.5 million. The Council Bill anticipates that the loan will be repaid through revenues from the tax by December 31, 2020.

Beginning in 2019, FAS expects to need approximately \$500,000 in GSF support, although it cautions this number is preliminary, and an unknown number of new positions to administer the tax. Those budget resources will not need to be fully evaluated or acted upon until the 2019 budget.

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### Budget Action Transactions

**Budget Action Title:** Amend and pass CB 119130 establishing an Employee Hours Tax, amend and pass interfund loan CB 119131 to finance tax administration systems, and create a new CIP project in ITD

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Increase GSF support to FAS to pay ITD for the systems to collect the EHT				FG	Finance and Administrative Services Fund	QA005001	00100	2018		\$1,500,000
2	Increase revenue to FAS to pay ITD for the systems to collect the EHT				FAS	Tax Administration	587001	50300	2018	\$1,500,000	
3	Increase appropriation in FAS to pay ITD for the systems to collect the EHT				FAS	City Finance Division	A4510	50300	2018		\$1,500,000
4	Increase ITD revenue from FAS for systems to collect the EHT				ITD	Rates	442810	50410	2018	\$1,500,000	
5	Increase appropriation in ITD to set up the systems to collect the EHT				ITD	Capital Improvement Projects	C7000	50410	2018		\$1,500,000