

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, create offsetting credits for certain eligible businesses, and revise the business license tax consistent with changes to the business and occupation tax; adding a new Section 5.45.105 to the Seattle Municipal Code; amending Sections 5.45.050, 5.45.100, 5.55.030, and 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

..body

WHEREAS, the Office of Economic and Revenue Forecasts' April 2025 revenue forecast projected a \$241 million reduction to revenues in 2025 and 2026, compared to amounts used to balance the 2025 and 2026 budgets; and

WHEREAS, as presented at the May 7, 2025, Finance, Tribal Governments, and Native Communities meeting, the combined financial plans of the City's General Fund and JumpStart Payroll Expense Tax Fund show a \$233 million average deficit in 2027 and future years; and

WHEREAS, 2026 budget guidance provided by the Mayor's office requested, for all departments supported by the General Fund and Payroll Expense Tax, a two percent reduction targeted for homelessness, public safety, and public-safety related departments and an eight percent target reduction for all other departments; and

WHEREAS, such reductions, if included in the Executive's 2026 Proposed Budget, could impact the City's ability to provide critical services that support vulnerable workers and small

1 businesses, and that address food insecurity, gender-based violence, and homelessness;
2 and

3 WHEREAS, according to a presentation at the April 23, 2025, Housing and Human Services
4 Committee, the federal government has already eliminated \$1.6 billion in funding for
5 food programs, not including any changes to the Supplemental Nutrition Assistance
6 Program (SNAP); and

7 WHEREAS, the Continuing Resolution passed by the House in May 2025 would cut nearly \$300
8 billion from SNAP through 2034; and

9 WHEREAS, the Continuing Resolution passed by the House in May 2025 would reduce
10 Continuum of Care (CoC) funding, a critical source of funding for homelessness services
11 for Seattle, and change eligibility criteria so that Permanent Supportive Housing projects
12 that rely on \$20 million in annual CoC grants may no longer be eligible for them; and

13 WHEREAS, the federal Department of Housing and Urban Development (HUD) provided
14 Emergency Housing Vouchers (EHVs) to households experiencing homelessness during
15 COVID, with a commitment to fund the EHVs through 2030, but HUD has recently
16 announced funding will end early, leaving hundreds of households at risk of
17 homelessness in 2026; and

18 WHEREAS, affordable housing providers are financially stressed by rising operating costs and
19 other factors, placing their long-term ability to provide affordable housing to low-income
20 tenants at risk; and

21 WHEREAS, Seattle benefits tremendously from the large number of diverse immigrants and
22 refugees who contribute to the development of a culturally and economically diverse and

1 enriched community, with immigrant-owned businesses in Washington State generating
2 over \$2.3 billion in annual revenue and creating thousands of jobs; and

3 WHEREAS, The City of Seattle adopted Resolution 32168 reaffirming Seattle as a Welcoming
4 City to immigrants and refugees in May 2025, in which council committed to the
5 consideration of maintaining funding for programs and policies that support immigrants
6 and refugees, low-wage workers, communities at risk of displacement, as well as
7 supporting the City's diverse business community and balancing the City's budget in a
8 way that minimizes harm to women-and-minority-owned business enterprises, the
9 LGBTQ business community, and the Office of Economic Development's community
10 wealth building strategies; and

11 WHEREAS, rising inflation and the potential loss of federal support in critical service areas will
12 leave a gap in the level of services that can be provided to the community by non-City
13 partners; and

14 WHEREAS, Seattle is home to over 100,000 businesses, 75 percent of which have annual
15 revenues under \$100,000; and

16 WHEREAS, according to a comparative analysis¹, starting a business in Seattle is expensive,
17 time-consuming, and complex; and

18 WHEREAS, businesses also face challenges from rising inflation, public safety concerns, and
19 housing, construction and insurance costs, which together put additional pressure on their
20 ability to survive and thrive in the city; and

21 WHEREAS, while downtown Seattle shows promising signs of recovery, retail space vacancies
22 remain high at nine percent as of late 2024, and the Downtown Seattle Association

¹ <https://ij.org/report/barriers-to-business/city-profile/seattle/>

1 reports that there are over 500 vacant street-level storefronts in downtown
2 neighborhoods, many of which formerly were filled by small businesses; and

3 WHEREAS, high vacancy rates in commercial districts can create a vicious cycle, where fewer
4 businesses attract foot traffic, leading to more business closures or relocations, which in
5 turn further reduces the number of visitors to the area; and

6 WHEREAS, many small businesses operate with slim margins and are disproportionately
7 impacted by the financial pressures facing cities, communities, consumers, and workers;
8 and

9 WHEREAS, providing small businesses with relief from the business and occupation tax will
10 provide needed support for these businesses; and

11 WHEREAS, by increasing the business and occupation tax exemption to \$2 million in gross
12 revenues and by implementing a standard deduction for the first \$2 million in gross
13 revenues earned, over 90 percent of businesses in Seattle will either pay no or fewer
14 taxes; and

15 WHEREAS, addressing the projected long-term structural General Fund and JumpStart Payroll
16 Expense Tax Fund (JumpStart Fund) deficit will require the City Council to make
17 difficult decisions that address the ongoing budget deficit and produce a balanced budget,
18 including determining future funding amounts for the JumpStart Fund investment
19 categories, such as housing; and

20 WHEREAS, the Seattle Housing Investment Plan, as requested in the City Council's Statement
21 of Legislative Intent OH-001S-A, will provide critical information on the most strategic
22 use of City funding, including the JumpStart Fund, to support housing production goals;
23 and

WHEREAS, RCW 35.21.711 requires a majority vote of the people to raise business and occupation tax rates to the rates proposed in this ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council finds and declares:

A. The October 2024 forecast from the Office of Economic and Revenue Forecasts (Forecast Office) projected an estimated \$89 million structural General Fund (GF) deficit, beginning in 2027.

B. In April 2025, the Forecast Office released revised revenue projections, which show:

1. A \$150 million deficit in the JumpStart Payroll Expense Tax Fund (JumpStart Fund) in 2025 and 2026;

2. An average combined JumpStart Fund and GF deficit of \$232 million each year, beginning in 2027. Of that deficit, \$85 million is in the JumpStart Fund and \$147 million is in the GF.

C. The Forecast Office estimates that the Business and Occupation Tax restructure in this ordinance could generate \$90 million in additional net GF revenue per year, after accounting for the higher exemption threshold and new standard deduction.

D. Of that \$90 million in net revenue, up to \$30 million may be used to mitigate the impact of federal funding reductions, leaving at least \$60 million to help offset the GF and JumpStart Fund projected deficit.

E. If this ordinance is approved in the November 2025 general election and generates the projected \$90 million in net GF revenue, and if \$30 million of that is used to mitigate federal funding reductions and \$60 million is used to offset GF and JumpStart Fund project deficit, the City would still face a projected combined JumpStart Fund and GF deficit of approximately \$90

1 million in 2026 and an average of \$172 million each year beginning in 2027. As such, the City
2 will need to take other actions to address the projected deficit.

3 F. The City Council, in adopting future budgets, will need to make difficult decisions that
4 address the ongoing budget deficit and produce a balanced budget, including determining future
5 funding amounts for the JumpStart Fund investment categories described in Ordinance 127155,
6 as adopted by the Council in November 2024. Those investment categories are: housing and
7 services; the Equitable Development Initiative; economic development and revitalization;
8 community planning efforts; the City's Green New Deal program; youth mental health;
9 contributions to the JumpStart Fund revenue stabilization account; and programs and services
10 supported by the City's General Fund.

11 Section 2. Subject to and contingent upon approval of the qualified voters of the City as
12 authorized by RCW 35.21.711, Section 5.45.050 of the Seattle Municipal Code, last amended by
13 Ordinance 125211, is amended as follows:

14 **5.45.050 Imposition of the tax—Tax or fee levied**

15 Except as provided in subsection 5.55.040.D.1, there is hereby levied upon and shall be collected
16 from every person a tax for the act or privilege of engaging in business activities within the City,
17 whether the person's office or place of business be within or without the City. The tax shall be in
18 amounts to be determined by application of rates against gross proceeds of sale, gross income of
19 business, or value of products, including by-products, as the case may be, as follows:

20 A. Upon every person engaging within the City in business as an extractor; as to such
21 persons, the amount of the tax with respect to such business shall be equal to the value of the
22 products, including by-products, extracted within the City for sale or for commercial or industrial
23 use, multiplied by the rate of .00215 through December 31, 2016, and beginning January 1,

2017, through December 31, 2017, by the rate of .00219, ~~((and))~~ beginning January 1, 2018,
through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, through
December 31, 2032, by the rate of .00342, and beginning January 1, 2033, by the rate of .00273.

The measure of the tax is the value of the products, including by-products, so extracted,
regardless of the place of sale or the fact that deliveries may be made to points outside the City.

B. Upon every person engaging within the City in business as a manufacturer; as to such
persons, the amount of the tax with respect to such business shall be equal to the value of the
products, including by-products, manufactured or processed within the City, multiplied by the
rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December
31, 2017, by the rate of .00219, ~~((and))~~ beginning January 1, 2018, through December 31, 2025,
by the rate of .00222, and beginning January 1, 2026, through December 31, 2032, by the rate of
.00342, and beginning January 1, 2033, by the rate of .00273. The measure of the tax is the value
of the products, including by-products, so manufactured or processed, regardless of the place of
sale or the fact that deliveries may be made to points outside the City.

C. Upon every person engaging within the City in the business of making sales of retail
services, or making sales at wholesale or retail; as to such persons, the amount of tax with
respect to such business shall be equal to the gross proceeds of such sales of the business without
regard to the place of delivery of articles, commodities, or merchandise sold, multiplied by the
rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December
31, 2017, by the rate of .00219, ~~((and))~~ beginning January 1, 2018, through December 31, 2025,
by the rate of .00222, and beginning January 1, 2026, through December 31, 2032, by the rate of
.00342, and beginning January 1, 2033, by the rate of .00273.

D. Upon every person engaging within the City in the business of:

1. Printing;

2. Both printing and publishing newspapers, magazines, periodicals, books,
music, and other printed items;

3. Publishing newspapers, magazines, and periodicals;

4. Extracting for hire;

5. Processing for hire; or

6. Conducting a tour operator business; as to such persons, the amount of tax on
such business shall be equal to the gross income of the business multiplied by the rate of .00215
through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the
rate of .00219, ~~((and))~~ beginning January 1, 2018, through December 31, 2025, by the rate of
.00222, and beginning January 1, 2026, through December 31, 2032, by the rate of .00342, and
beginning January 1, 2033, by the rate of .00273.

E. Upon every motor carrier engaging within the City in the business of transporting
freight for hire; as to such persons, the amount of the tax with respect to such business shall be
equal to the gross income from the transport of freight picked up in the City multiplied by the
rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December
31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018, through December 31, 2025,
by the rate of .00427, and beginning January 1, 2026, through December 31, 2032, by the rate of
.00658, and beginning January 1, 2033, by the rate of .00526. The business of transporting
freight for hire includes the business of leasing or renting motor vehicles operated by the lessor,
or by a person under the control of the lessor, to transport freight for hire.

F. Upon every other person engaging within the City in any business activity other than
or in addition to those enumerated in the above subsections; as to such persons, the amount of tax

on account of such activities shall be equal to the gross income of the business multiplied by the rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018 through December 31, 2025, by the rate of .00427, and beginning January 1, 2026, through December 31, 2032, by the rate of .00658, and beginning January 1, 2033, by the rate of .00526. This subsection includes, among others, and without limiting the scope hereof (whether or not title to material used in the performance of such business passes to another by accession, merger, or other than by outright sale), persons engaged in the business of developing or producing custom software or of customizing canned software, producing royalties or commissions, persons engaged in the business of freight brokering, and persons engaged in the business of rendering any type of service which does not constitute a sale at retail, a sale at wholesale, or a retail service.

Section 3. Subject to and contingent upon approval of the qualified voters of the City, Section 5.55.040 of the Seattle Municipal Code, last amended by Initiative 137, is amended as follows:

5.55.040 When due and payable—Reporting periods—Monthly, quarterly, and annual returns—Threshold provisions—Computing time periods—Failure to file returns

* * *

D.

1. For purposes of the tax imposed by Chapter 5.45, any person whose gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the city subject to tax after all allowable deductions, is less than the tax threshold amount defined in subsection 5.55.040.D.3 in the current calendar year, shall complete and file a return, declare no tax due on their return, and

submit the return to the Director. The gross receipts and deduction amounts shall be entered on the tax return even though no tax may be due.

2. Any person who reasonably estimates that the gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the city subject to tax after all allowable deductions, will be less than the tax threshold amount defined in subsection 5.55.040.D.3 (~~(below,)~~) in the current calendar year may file a declaration so stating on a form supplied by the Director at the same time (~~((he or she))~~) the person files (~~((his or her))~~) an application for a business license tax certificate or a renewal. The Director may assign any person who files such declaration to an annual reporting period.

3. ~~((For calendar years prior to 2008, the Business and Occupation tax threshold amount shall remain at Fifty Thousand Dollars (\$50,000) as established under Ordinance 116945. For calendar years 2008 and 2009, the Business and Occupation tax threshold amount shall be Eighty Thousand Dollars (\$80,000).)) For calendar years 2010 ((and thereafter,)) through 2025, the ~~((Business and Occupation))~~ business and occupation tax threshold amount ~~((shall be One Hundred Thousand Dollars ()))~~ is \$100,000(()). For calendar years starting in 2026, the business and occupation tax threshold amount is \$2,000,000.~~

* * *

Section 4. Subject to and contingent upon approval of the qualified voters of the City,
Section 5.45.100 of the Seattle Municipal Code, last amended by Ordinance 124089, is amended
as follows:

5.45.100 Deductions.

In computing the license fee or tax, the following may be deducted from the measure of tax:

* * *

W. Standard deduction. In computing tax, taxpayers may deduct \$2 million from the measure of the tax. Taxpayers reporting multiple business activity types may choose the business activities to which they apply the standard deduction. This deduction is available to taxpayers for tax years beginning January 1, 2026.

Section 5. Subject to and contingent upon approval of the qualified voters of the City, a new Section 5.45.105 of the Seattle Municipal Code is added as follows:

5.45.105 Credits

A. Credit for comprehensive cancer centers. Persons taxable under Section 5.45.050 that receive gross receipts that are exempt from state business and occupation tax under RCW 82.04.4265 shall be allowed a credit against those taxes equal to the amount of gross receipts that is exempt from state business and occupation tax under RCW 82.04.4265 multiplied by: the rate of the tax for that business, minus the rate immediately preceding the effective date of this ordinance.

B. Credit for pediatric hospitals. Nonprofit hospitals specializing primarily in pediatric medicine taxable under Section 5.45.050 shall be allowed a credit against those taxes equal to the amount of gross receipts that is taxable under Section 5.45.050 multiplied by: the rate of the tax for that business, minus the rate immediately preceding the effective date of this ordinance.

1. For the purposes of this section:

a. “Hospital” has the meaning established in Revised Code of Washington Chapter 70.41.020.

b. “Nonprofit” means a corporation or organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

1 c. "Specializing primarily in pediatric medicine" means a hospital
2 providing clinically appropriate health care for the special needs of pediatric and young adult
3 patients whose care and diagnosis is best treated with pediatric expertise.

4 2. The calculation of the credit applies solely to gross receipts from hospital
5 services and shall not include gross receipts from retail, wholesale, or manufacturing business
6 activity.

7 Section 6. Subject to and contingent upon approval of the qualified voters of the City,
8 Section 5.55.030 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended
9 as follows:

10 **5.55.030 License requirements – Minimum license threshold**

11 A.

12 1. No person, unless specifically exempted, shall engage in any business activity,
13 profession, trade, or occupation in the City without having first obtained and being the holder of
14 a valid and subsisting license to do so, to be known as a "business license tax certificate."

15 2. Effective January 1, 2019 to December 31, 2019, the fee for the business
16 license tax certificate shall be:

17 ~~((1-))~~ a. Fifty-five dollars for persons with taxable gross income of the
18 business and value of products of less than \$20,000 in the most recent complete calendar year
19 that engage in any business activity, profession, trade, or occupation in the City prior to July 1
20 and \$27.50 for such persons beginning their activity on or after July 1;

21 ~~((2-))~~ b. One hundred ten dollars for persons with taxable gross income of
22 the business and value of products of \$20,000 or more but less than \$500,000 in the most recent

complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;

~~((3-))~~ c. Five hundred dollars for persons with taxable gross income of the business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$250 for such persons beginning their activity on or after July 1;

~~((4-))~~ d. One thousand two hundred dollars for persons with taxable gross income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$600 for such persons beginning their activity on or after July 1.

~~((5-))~~ e. Two thousand four hundred dollars for persons with taxable gross income of the business and value of products of \$5,000,000 or more in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$1,200 for such persons beginning their activity on or after July 1.

3. On January 1, 2020 and on January 1 of every year thereafter, the fees for the business license tax certificate shall be increased for all persons consistent with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. To calculate the new annual fees, each prior year's fee will be multiplied by the sum of one and the annual percent change in the CPU-U. If the annual change in the CPI-U is negative, no adjustment shall be made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.

1 4. For the 2026 business license tax certificate fee computation and every year
2 thereafter, the fees in subsections 5.55.030.A.2 and 5.55.030.A.3 shall be based on the taxable
3 gross income of the business prior to the taking of the standard deduction under subsection
4 5.45.100.W.

5 5. The fee shall accompany the application for the license. Persons who did not
6 engage in business in the City in the most recent complete calendar year shall pay the minimum
7 full or partial year fee amount at the time of application and the Director shall bill the person
8 after the conclusion of the calendar year of the application for any remaining amount based on
9 the fee schedule in this subsection 5.55.030.A and the person's taxable gross income of the
10 business and value of products during the calendar year of the application.

11 6. The business license tax certificate shall expire at the end of the calendar year
12 for which it is issued. The business license tax certificate shall be personal and nontransferable
13 except as provided in subsection 5.55.030.F. Applications for the business license tax certificate
14 shall be made to the Director of Finance and Administrative Services on forms provided by the
15 Director. Each business license tax certificate shall be numbered, shall show the name, place, and
16 character of the business of the licensee, and such other information as the Director deems
17 necessary, and shall at all times be conspicuously posted in the place of business for which it is
18 issued.

19 7. If the licensee changes the place of business, the licensee shall return the
20 business license tax certificate to the Director and a new business license tax certificate shall be
21 issued for the new place of business free of charge.

22 Section 7. Subject to and contingent upon approval of the qualified voters of the City:

1 A. Proceeds of the business and occupation tax will continue to be deposited into the
2 City's General Fund. The increases in business and occupation tax rates authorized in Section 2
3 of this ordinance shall be dedicated for the uses described in subsections 7.B and 7.C of this
4 ordinance. At least three months prior to the Mayor submitting the annual budget, the Executive
5 shall consult with the City Council on the impact of actual and anticipated revenue reductions
6 and federal funding cuts on the programs identified in subsections 7.B and 7.C of this ordinance
7 to inform how the new revenue generated by this ordinance is to be utilized. The Mayor shall
8 submit to the City Council at the same time the budget is transmitted a written proposed plan
9 outlining how the new revenue generated by this ordinance is to be utilized in these areas.

10 B. The proceeds shall be used:

11 1. For the business and occupation tax threshold lift and deduction for small
12 businesses.

13 2. To pay for programs or activities that receive City General Fund or JumpStart
14 Payroll Expense Tax Fund (JumpStart Fund) appropriations as of the effective date of this
15 ordinance, in the following program areas:

- 16 a. Food access;
- 17 b. Gender-based violence;
- 18 c. Small business supports, including but not limited to storefront repairs
19 and Business Improvement Areas;
- 20 d. Emergency shelter;
- 21 e. Homelessness prevention;
- 22 f. Support for workers' rights and protections;
- 23 g. Public health;

1 h. Workforce development and job readiness training;
2 i. Arts and culture; and
3 j. Immigrant and refugee services, including but not limited to legal
4 assistance and representation.

5 C. Up to \$30 million in proceeds may be used:

6 1. For implementation costs and ongoing administration of the tax.
7 2. To mitigate the impact of federal funding reductions or federal policy changes
8 in the following program areas:

9 a. Housing stability for low-income tenants;
10 b. Food insecurity, including but not limited to, food banks and food meal
11 programs;
12 c. Financial stability for affordable housing providers and properties;
13 d. Emergency shelters and homelessness;
14 e. Substance abuse disorder treatment; and
15 f. Transportation projects.

16 D. The mayor shall submit a written report by September 1 annually, beginning in 2026
17 and ending four years after the effective date of this ordinance, with the following information:

18 1. The year-to-date outcomes achieved by the prior year's appropriation of City
19 General Fund or JumpStart Payroll Expense Tax Fund, including the net revenue generated by
20 this ordinance, for all of the program areas in subsection 7.B.2 of this ordinance. The report
21 should include outcomes such as the number of: households receiving food assistance;
22 individuals receiving gender-based violence services; emergency shelter bed nights provided;
23 households placed into permanent housing from emergency shelter; unduplicated households

1 receiving homelessness prevention services, including rental assistance, eviction legal aid, or
2 case management to stay housed; unduplicated small businesses receiving assistance; and
3 workers' rights cases resolved.

4 2. The new or additional funding that was provided to mitigate federal funding
5 reductions, including programs and funding amounts, as described in subsection 7.C.2 of this
6 ordinance. For any program receiving funding under subsection 7.C.2 of this ordinance, the
7 report should include outcomes achieved year-to-date due to that funding, such as the number
8 of: affordable units preserved through financial stabilization subsidies; households receiving
9 food assistance; emergency shelter bed nights provided; and tenants able to remain stably
10 housed.

11 Section 8. This ordinance does not limit the City's ability to pass other ordinances that
12 amend the credits in Seattle Municipal Code Section 5.45.105, business and occupation tax
13 threshold in Seattle Municipal Code Section 5.55.040, or the standard deduction in Seattle
14 Municipal Code subsection 5.45.100.W.

15 Section 9. Fiscal sustainability

16 A. Revenue generated from the business and occupations tax is deposited into the
17 General Fund, which also relies on a large ongoing transfer from the JumpStart Payroll Expense
18 Tax Fund. Contingent upon the Mayor's 2027 Proposed Budget including new revenue
19 generated by this ordinance, that budget proposal shall include balanced financial plans for the
20 City's General Fund and JumpStart Payroll Expense Tax Fund, in the form and format
21 prescribed in the Fiscal Transparency Program, subsection 3.140.060.B of the Seattle Municipal
22 Code as added by Ordinance 126962. In addition to the requirements in subsection 3.140.060.B,
23 both plans shall:

1 1. Clearly demonstrate how the new resources generated by this business and
2 occupation tax restructure, plus existing and newly proposed resources, are managed to generate
3 zero or positive projections of unreserved fund balance for both the General Fund and JumpStart
4 Payroll Expense Tax Fund in 2027 and all future years when the tax is in effect. To the extent
5 that spending reductions are needed to achieve zero or positive fund balance, the financial plans
6 shall show which of the following spending categories is to be reduced and by how much.
7 Anticipated spending increases shall be documented in the financial plan in the same manner.

8 General Fund spending categories: Administration; Arts, Culture, and Recreation;
9 Education and Human Services; Livable and Inclusive Communities; Public Safety; Utilities,
10 Transportation, and Environment.

11 JumpStart Payroll Expense Tax Fund categories: Affordable Housing, the Green
12 New Deal, Economic Development, Equitable Development Initiative; and Youth Mental
13 Health.

14 2. Rely on reasonable, transparent and publicly available assumptions that are
15 transmitted with the plans.

16 3. Include revenue, expenditure and reserve projections for 2027, 2028, 2029, and
17 2030.

18 4. Include a discrete line to show in each year the transfer from the JumpStart
19 Payroll Expense Tax Fund to the General Fund.

20 B. If either or both financial plans submitted under subsection 9.A of this ordinance show
21 a negative unreserved fund balance in 2030, the Mayor and City Council shall engage in a
22 process to review ongoing spending and revenues in support of developing budget actions that
23 can be implemented in the 2030 Budget to resolve those shortfalls.

Section 10. Election – Ballot title. The City Council directs the City Clerk to file relevant portions of this ordinance with the Director of Elections of King County, Washington, as ex officio supervisor of elections, requesting the Director of Elections to call and conduct a special election in the City in conjunction with the state general election to be held on November 4, 2025, for the purpose of submitting to the qualified electors of the City the proposition set forth in Sections 2 through 7 of this ordinance. The City Clerk is directed to certify to the King County Director of Elections the ballot title approved by the City Attorney in accordance with their responsibilities under RCW 29A.36.071. The following ballot title is submitted to the City Attorney for consideration:

THE CITY OF SEATTLE

PROPOSITION NO. 2

Changes to the Business and Occupation Tax

The Seattle City Council adopted Ordinance No. XXXXXX concerning changes to the business and occupation tax.

The City of Seattle’s Proposition 2 would increase the threshold for payment of the business and occupation tax from \$100,000 to \$2 million in gross receipts; create a \$2 million standard deduction; and increase, for seven years, tax rates currently at .00222 and .00427 to .00342 and .00658, respectively. Beginning in 2033 tax rates would decrease to .00273 and .00526, respectively. Proceeds would support the general fund and critical city services threatened by federal cuts.

Should this Proposition be approved?

Yes

No

1 Section 11. Future Consideration. Future City Councils should consider sending a ballot
2 question to the voters to reimpose the temporary elevated rates of the business and occupation
3 tax if needed to provide financial sustainability after the reduction of the rates.

4 Section 12. Any act consistent with the authority of this ordinance taken after its passage
5 and prior to its effective date is ratified and confirmed.

Section 13. Sections 2 through 7 of this ordinance shall take effect subject to and contingent upon approval of the qualified voters of the City as authorized by RCW 35.21.711 and in accordance with applicable law. All other sections of this ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if this ordinance is not approved and returned by the Mayor within ten days after presentation, then those sections shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025,
and signed by me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)