

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..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.

..body

WHEREAS, the Institute for Taxation and Economic Policy consistently ranks Washington State as one of the most unfair tax systems in the country, where lower income residents pay a higher percentage of their household earnings for taxation; and

WHEREAS, the non-partisan Municipal Research Services Center defines a regressive tax as a tax burden (as a percent of income) that falls hardest upon low-income households, who have to spend a large portion of their income on retail goods and basic needs; and

WHEREAS, there are currently no tax rate limits prescribed by State law for water utilities operated by Seattle Public Utilities; and

WHEREAS, the City of Seattle most recently adjusted the water utility tax rate to 15.54% in 2011, which is in addition to the cost of providing water; and

WHEREAS, it is estimated the City will collect approximately \$38 million in regressive water utility taxes in 2024; and

WHEREAS, signed by the Governor on May 4, 2021, Engrossed Substitute Senate Bill 5096 imposed a state excise tax on capital gains in excess of \$250,000, with exemptions for retirement accounts and real estate sales; and

WHEREAS, implementing a local capital gains excise tax that conforms to State law is a more progressive method of taxation to replace revenues from regressive taxes no longer

1 collected by the City of Seattle including, but not limited to, the tax on water within the
2 City of Seattle's geographical boundaries; NOW, THEREFORE,

3 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

4 Section 1. Section 5.48.050 of the Seattle Municipal Code, last amended by Ordinance
5 124912, is amended as follows:

6 **5.48.050 Occupations subject to tax—Amount**

7 There are levied upon, and shall be collected from everyone, including The City of Seattle, on
8 account of certain business activities engaged in or carried on, annual license fees or occupation
9 taxes in the amount to be determined by the application of rates given against gross income as
10 follows:

11 A. Upon everyone engaged in or carrying on a telecommunications service or telephone
12 business, a fee or tax equal to six percent of the total gross income from such business provided
13 to customers within the City. The tax liability imposed under this Section 5.48.050 shall not
14 apply for that portion of gross income derived from charges to another telecommunications
15 company, as defined in RCW 80.04.010, for connecting fees, switching charges, or carrier access
16 charges relating to intrastate toll telephone services, or for access to, or charges for, interstate
17 services, or charges for telecommunication service or telephone business that is purchased for the
18 purpose of resale. (Such charges, except for interstate service, shall be taxed under Chapter
19 5.45.) The total gross income shall also include all charges by the provider of cellular or cellular
20 mobile telephone services provided to its customers in any taxing jurisdiction (intrastate or
21 interstate), which are billed to a "place of primary use" located in Seattle by or for the home
22 service provider, irrespective of whether the services are provided by the home service provider.

1 B. Upon everyone engaged in or carrying on the business of selling, brokering, or
2 furnishing gas for hire, a fee or tax equal to six percent of the total gross income from such
3 business in the City.

4 ~~((C. Upon everyone, including The City of Seattle, engaged in or carrying on the business~~
5 ~~of selling or furnishing water for hire to consumers, a fee or tax equal to the total gross income~~
6 ~~from such retail business in the City multiplied by the following rates:~~

7 ~~Effective through March 30, 2009, a rate of 15.54 percent;~~

8 ~~Effective March 31, 2009 through December 31, 2010, a rate of 19.87 percent; and~~

9 ~~Effective January 1, 2011, a rate of 15.54 percent;~~

10 ~~Provided that as to The City of Seattle in the conduct of its municipal water utility, such~~
11 ~~tax shall be applicable to the business of such utility done without, as well as within, the City.))~~

12 ~~((D))~~C. Upon everyone, including The City of Seattle, engaged in or carrying on the
13 business of selling or furnishing electric light and power to consumers, a fee or tax equal to six
14 percent of the total gross income from such business in the City. The fee or tax imposed upon the
15 municipal light and power system of the City shall be applicable to the business of such system
16 both within and without the City.

17 ~~((E))~~D. Upon everyone conducting or engaged in the business of supplying steam heat or
18 power to consumers, a fee or tax equal to six percent of the total gross income from such
19 business in the City.

20 ~~((F))~~E. Upon The City of Seattle and any port district, in respect to the conduct,
21 maintenance, and operation of a drainage system as a public utility, a fee or tax equal to 11.5
22 percent of the total gross income from drainage charges. For purposes of this Section 5.48.050,
23 "drainage charges" means, for The City of Seattle, the drainage charges provided for under City

1 ordinances; and for any port district, the gross income from the conduct, maintenance, and
2 operation of a drainage system as a public utility in the City.

3 ~~((G))~~F. Upon The City of Seattle and any port district, in respect to the conduct,
4 maintenance, and operation of a wastewater system as a public utility, a fee or tax equal to 12
5 percent of the total gross income from wastewater charges. For purposes of this Section
6 5.48.050, "wastewater charges" means, for The City of Seattle, the wastewater charges provided
7 for under City ordinances; and for any port district, the gross income from the conduct,
8 maintenance, and operation of a wastewater system as a public utility in the City.

9 ~~((H))~~G. As to solid waste, see Section 5.48.055.

10 ~~((I))~~H. Upon everyone engaged in the business of operating or conducting a cable
11 television system (CATV), a fee or tax equal to ten percent of the total gross income from gross
12 subscriber revenues. For purposes of this Chapter 5.48, "gross subscriber revenues" means and
13 includes those revenues derived from the supplying of subscription service, that is, installation
14 fees, disconnect and reconnect fees, fees for regular cable benefits including the transmission of
15 broadcast signals, and access and origination channels and per-program or per-channel charges;
16 however, the tax liability imposed under this Section 5.48.050 shall not include leased channel
17 revenue, advertising revenues, or any other income derived from the system, which shall be
18 taxed under Chapter 5.45. The business of operating or conducting a cable television system
19 (CATV) does not include the provision of interactive two-way communications over cable. Such
20 activities shall be reported under the telecommunication service or telephone business
21 classification.

22 Section 2. Section 5.48.060 of the Seattle Municipal Code, last amended by Ordinance
23 120668, is amended as follows:

1 **5.48.060 City of Seattle subject to tax((=))**
2 Subsections ((~~5.48.050 C, D, and F~~) 5.48.050.C, 5.48.050.E, and 5.55.050.C, Section 5.48.055,
3 ((~~and Sections 5.55.050 C, 5.55.090 A and B~~)) subsections 5.55.090.A and 5.55.090.B, and
4 Section 5.55.110 shall, so far as permitted by law, be applicable to The City of Seattle, except
5 that the City shall not, as a taxpayer, be required to conform to the other provisions of this
6 ((~~chapter~~)) Chapter 5.48.

1 Section 3. Sections 1 and 2 of this ordinance shall take effect on January 1, 2025.

2 Section 4. This ordinance shall take effect and be in force 30 days after its approval by
3 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
4 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

5 Passed by the City Council the _____ day of _____, 2023,
6 and signed by me in open session in authentication of its passage this _____ day of
7 _____, 2023.

8 _____
9 President _____ of the City Council

10 Approved / returned unsigned / vetoed this _____ day of _____, 2023.

11 _____
12 Bruce A. Harrell, Mayor

13 Filed by me this _____ day of _____, 2023.

14 _____
15 Anne Frantilla, Interim City Clerk

16 (Seal)