

RESOLUTION expressing the City of Seattle's intent to adopt a progressive income tax targeting high-income households

WHEREAS taxes are required to support the basic functions of municipal government, and the tax code is as much an expression of our values as are the public goods and services we choose to fund with the resulting revenue; and

WHEREAS in Washington State, according to the Institute on Taxation and Economic Policy (ITEP), households with incomes below \$21,000 paid on average 16.8% of their income in state and local taxes in 2015, whereas households with income in excess of \$500,000 paid only 2.4%, [making Washington State's tax code the most regressive in the nation](#); and

WHEREAS this state of affairs can be attributed largely to Washington State's long-standing failure to implement any income-based tax, leaving our state and local governments unduly reliant on sales tax, property tax, and other regressive taxes; and

WHEREAS our upside-down tax system deepens poverty, diminishes opportunity for low and middle-income families, disproportionately harms communities of color, and protects and reinforces the privilege of the wealthy; and

WHEREAS without progressive revenue tools, Seattle is in a weak position to respond to federal budget cuts proposed by the Trump administration, which could eliminate millions of dollars per year from Seattle's budget for housing and human services and hundreds of millions from regional transit projects; and

WHEREAS Seattle's robust economic growth has created significant wealth and opportunity, but has also exacerbated the housing affordability crisis, which is compounding the financial strain on low- and middle-income households; and

WHEREAS the City of Seattle can pioneer a legal pathway and build political momentum to enable the State of Washington and other local municipalities to put in place progressive tax systems; and

WHEREAS the "Trump Proof Seattle" Coalition has called for a 1.5% tax on adjusted gross income in excess of \$250,000 per year, estimating that this would raise over \$125M per year in the City of Seattle; and

WHEREAS revenue from such a systemic change in taxation could be dedicated to lowering regressive taxes; replacing federal funding potentially lost through Trump budget cuts; and providing public services, including housing, education, and transit; creating green jobs and meeting carbon reduction goals; and

WHEREAS in 2010 Seattle residents voted in support of imposing a state-wide income tax on high-income households; and

WHEREAS local taxes based on income are levied by both counties and cities in 4,983 jurisdictions across the United States; and

WHEREAS any local income tax ordinance passed in Washington State can expect to face legal challenges that will give the State Supreme Court an opportunity to rule on two disputed areas of Washington State law, namely the constitutionality of a progressive income tax and the scope of local taxing authority; and

WHEREAS this circumstance underscores the need for care in writing such an ordinance, to maximize the chances of prevailing in court, but also for urgency in passing it, so that the legal process can commence and this vital new revenue tool be available as soon as possible,

THEREFORE BE IT RESOLVED

1. The Seattle City Council intends to begin consideration of a progressive income tax ordinance by May 31 2017, with the goal of Full Council passage by July 10, 2017.
2. Council, Executive, the City Attorney, and members of the Trump Proof Seattle Coalition will work together to craft the ordinance, and may engage outside legal counsel as needed.
3. Components of this legislation that need to be determined include:
 - a. Whether the tax is levied on adjusted gross income, or only on certain components of adjusted gross income such as capital gains, interest, and/or dividends
 - b. The threshold above which income is taxed, and/or below which households are exempted from the tax
 - c. At what percentage(s) income is taxed
 - d. The use of the revenue so raised
4. The guiding principle in crafting this legislation will be to chart the strongest possible legal path, with the understanding that the City of Seattle intends to test the constitutionality of a progressive income tax and the scope of local authority, so that a legal victory will result in new, robust progressive revenue tools for municipalities throughout Washington State. In making decisions about the aforementioned components of legislation, legal viability will be the primary consideration.