



Analysis of City of Seattle Taxes

Prepared for the Downtown
Seattle Association

November 1, 2023

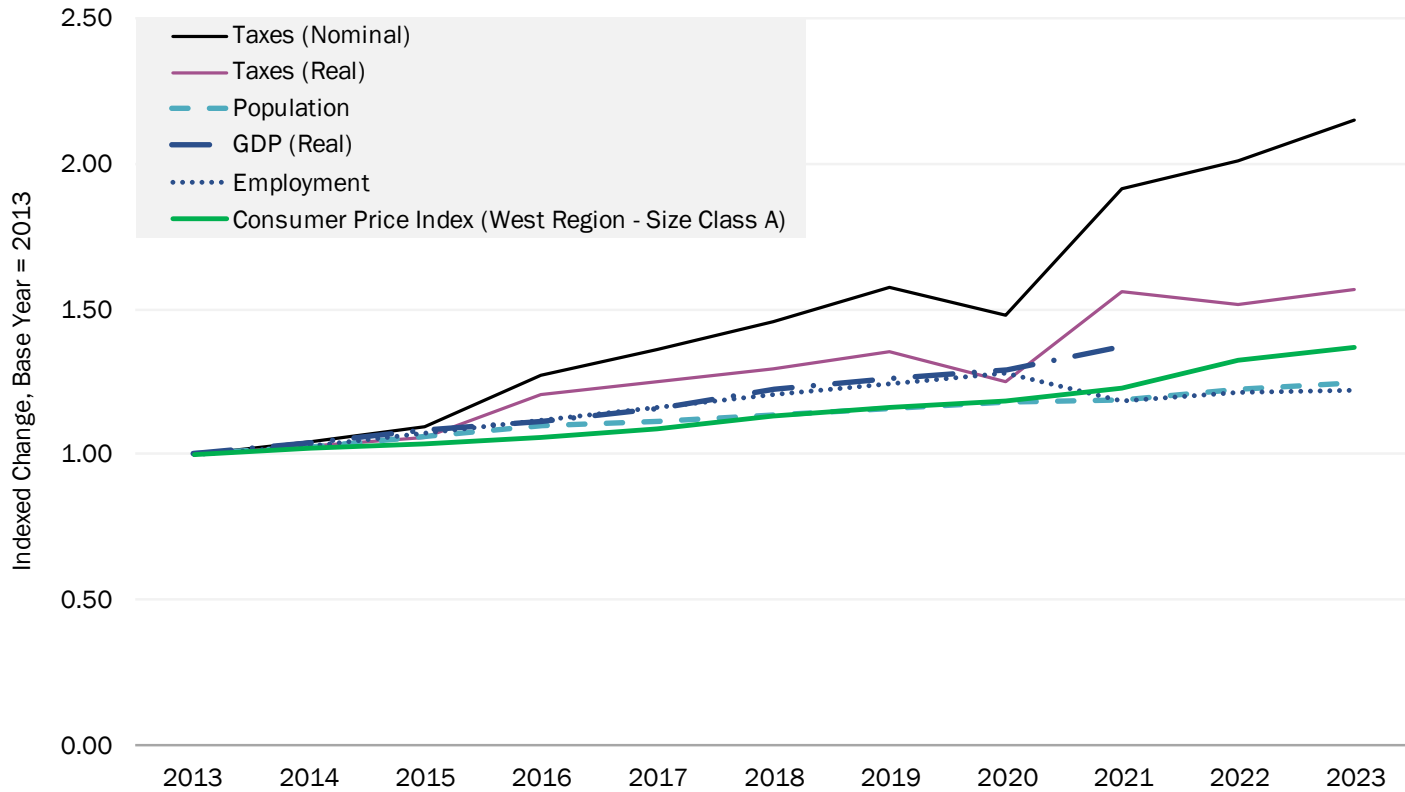


Key Findings

- Since 2013, City of Seattle general fund and operating fund taxes (in nominal terms) have grown 4x faster than the economy and population; when adjusted for inflation, taxes have grown about 2.5x faster than the economy and population.
- Since 2018, Council has approved \$1.39 billion worth of new taxes.
- Taxes grew during the pandemic, when revenues were expected to drop.
- Businesses pay 2/3 of City taxes, or \$1.3 billion, in 2023.
- Spending on public safety has decreased despite rising crime and revenue growth in taxes.

Economic and Fiscal Growth

Change in City of Seattle Economic and Fiscal Indicators Indexed to 2013



Source: U.S. Census Bureau, Puget Sound Regional Council, and City of Seattle.

Over the past decade (2013 to 2023), Seattle general fund and other operating fund taxes (in nominal terms) have grown more than 4 times faster than the economy and population.

When adjusted for inflation, taxes have grown about 2.5 times faster than the economy and population.

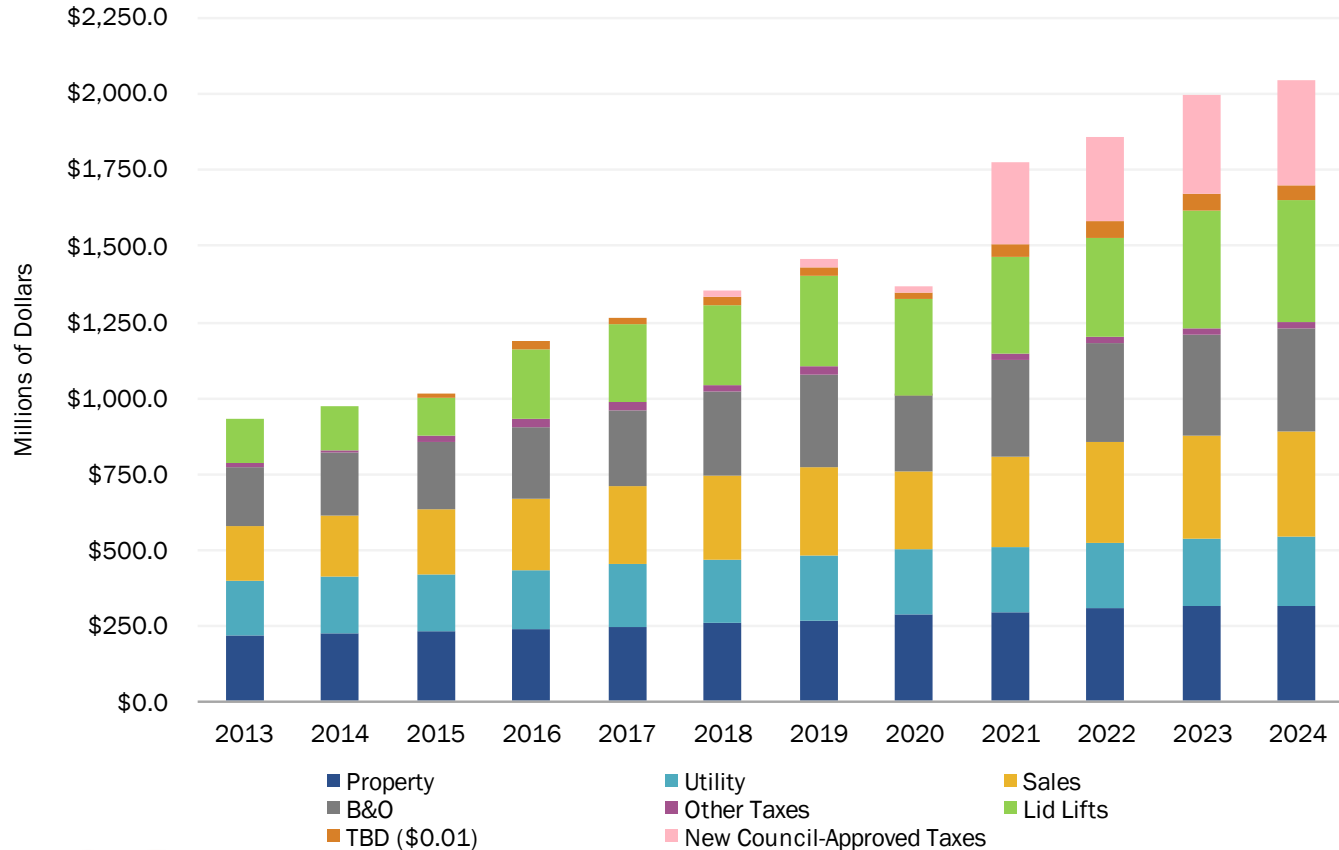
This means Seattle residents and businesses are paying more for the services they receive.

Since 2013...

- Taxes grew 115% (unadjusted for inflation)
- Taxes grew 57% (adjusted for inflation)
- Inflation grew 37%
- Population grew 25%
- Employment grew 22%

Tax Composition

City of Seattle General Fund and Other Fund Tax Composition, 2013 – 2021 (Actuals); 2022 (Revised); 2023 (Adopted); 2024 (Endorsed)



Voter-approved property tax lid lifts and new Council approved taxes have grown faster than "core" taxes.

- Property, sales, B&O, and utility taxes are the core taxes that comprise the general fund revenues.
- In 2013, these taxes comprised about 83 percent of the City's tax revenues.
- That share is estimated to decrease to 60 percent in 2024.

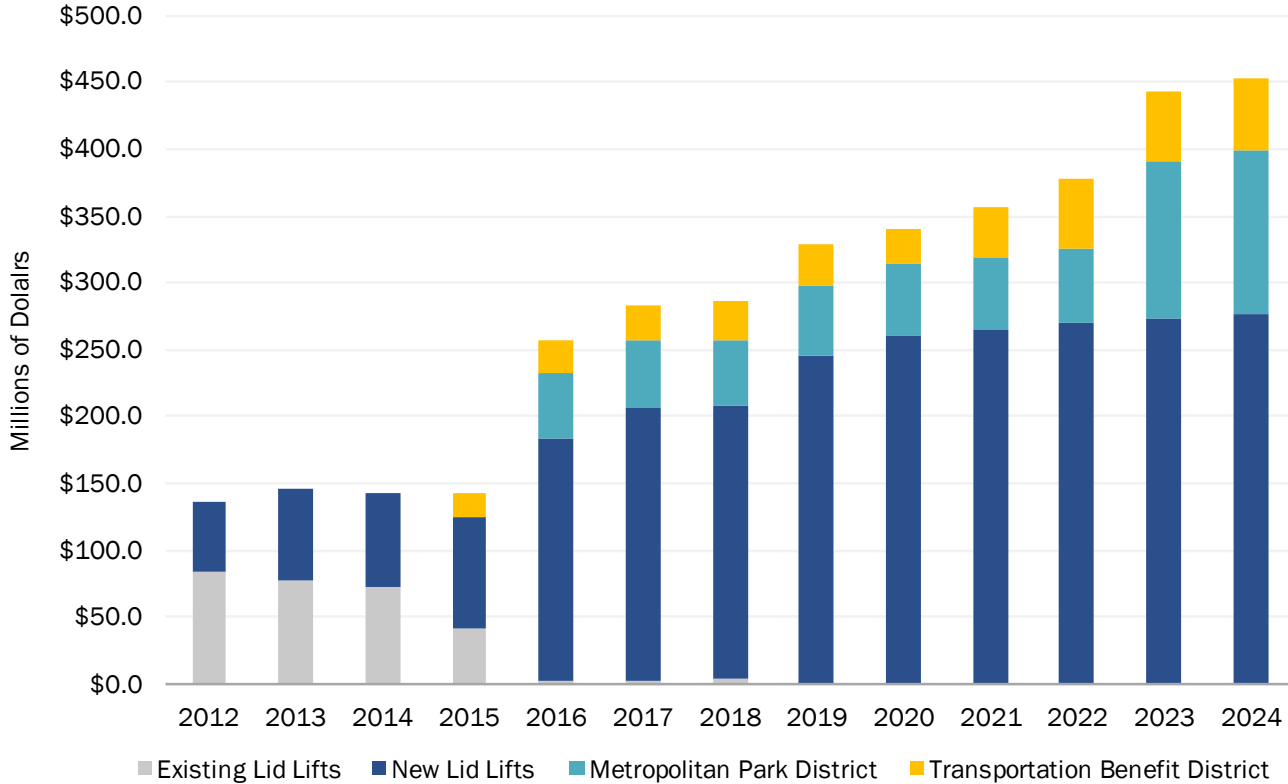
Data note: 2021 values are actuals; 2022 are revised budget values; 2023 are adopted budget values; and 2024 are endorsed budget values.

Source: City of Seattle budgets; Department of Revenue for lid lifts. Data notes: New Council-approved taxes include short-term rental (2019), sweetened beverage (2018), and payroll expense (2020) taxes. Utility taxes includes utility and interfund taxes.

Voter-Approved Lifts and Levies

Voter Approved Lifts and Levies

2012 – 2021 (Actuals); 2022 (Revised); 2023 (Adopted); 2024 (Endorsed)



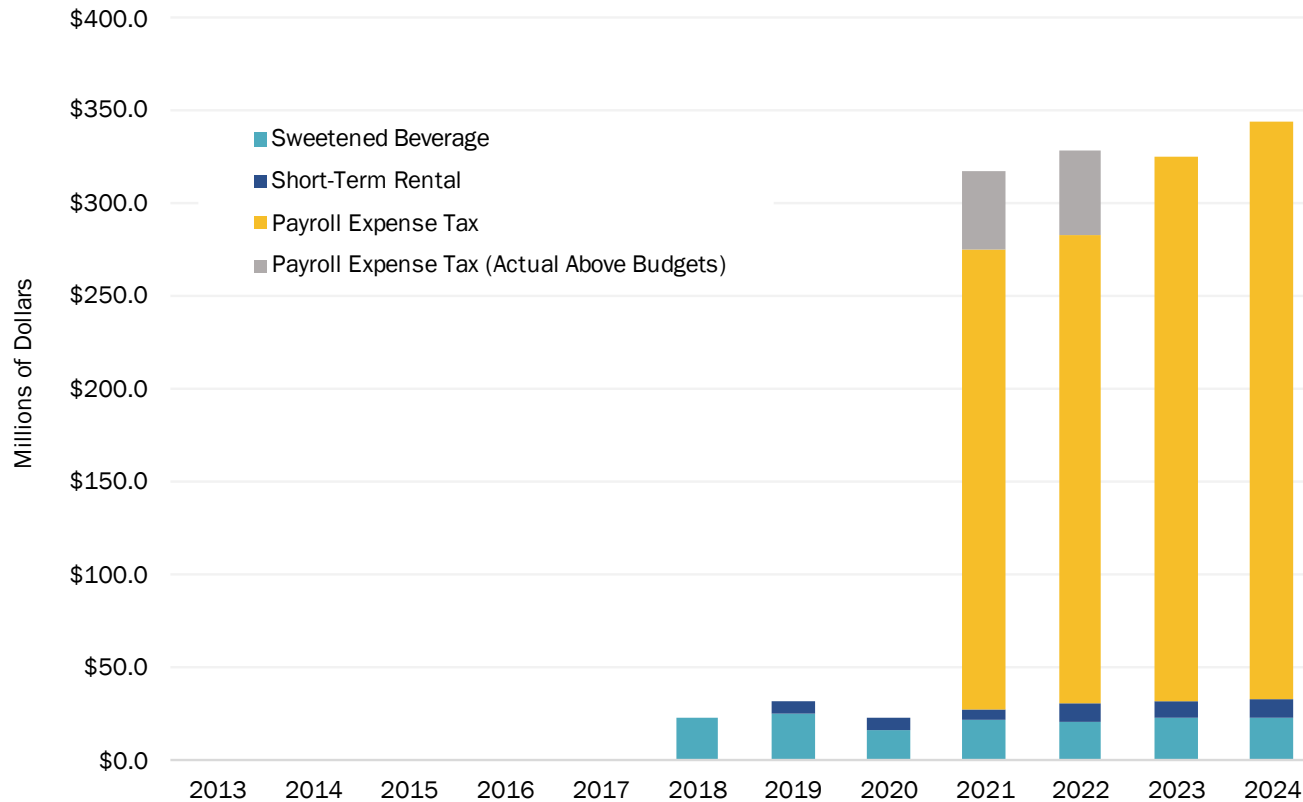
Seattle voters have approved \$3.7 billion in lid lifts and levies since 2012.

- Support operational functions such as elections, family and children services, low-income housing, preschool, and library services.
- Brought in over \$377 million in 2022, more than 2.8 times higher than in 2012.
- In 2023, the lid lifts and levies are expected to bring in about \$444 million, 18% higher than in 2022. In the 2024 endorsed budget, these lid lifts and levies are expected to bring in about \$452 million.

Source: City of Seattle budgets; Department of Revenue for lid lifts. Data notes: Since 2012, voters have approved lid lifts for Library Services (2012 & 2019), Families and Education (2012), Preschool Program (2014), Transportation Benefit District (2014), Move Seattle (2015), Elections (2015), Metropolitan Park District (2016), Low-Income Housing (2016), and Families, Education, Preschool, and Promise (2018).

New Council-Approved Taxes

New Council-Approved Taxes,
2013 – 2021 (Actuals); 2022 (Revised); 2023 (Adopted); 2024 (Endorsed)



Since 2017, Council has approved new taxes without voter approval.

- Sweetened beverage tax (2018) for education & food access
- Short-term rental tax (2019) for equitable development and affordable housing
- Payroll expense tax (2021) for housing and other uses

These new taxes totaled \$308 million in 2021 and nearly \$334 million in 2022.

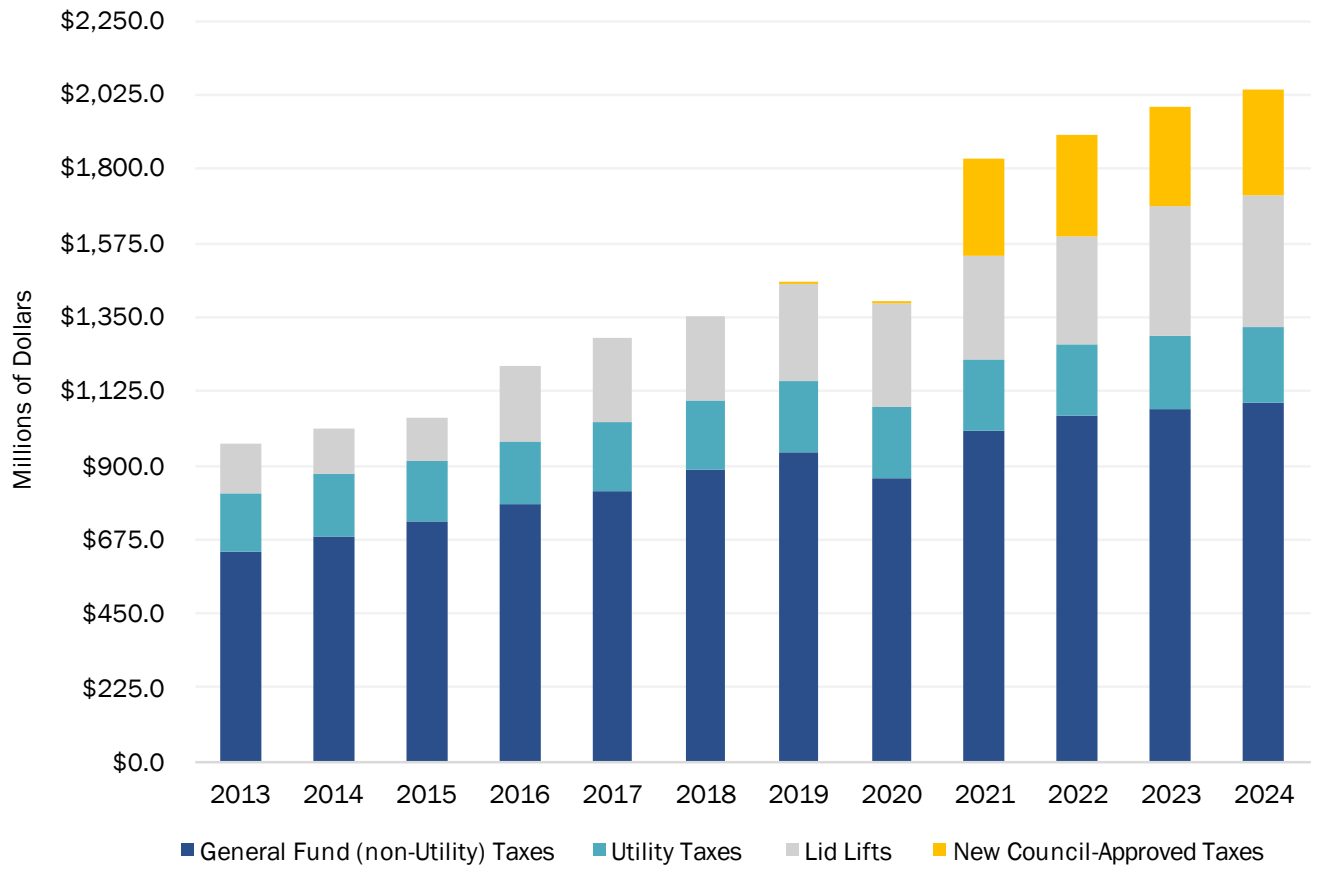
In the 2024 adopted budget, these new taxes are estimated to generate \$378 million in 2023 and \$397 million in 2024.

Source: City of Seattle budgets; Economic and Revenue Update presentations (August 8, 2022, November 2, 2022, and April 10, 2023) from the Office of Economic and Revenue Forecasts & the City Budget Office.

Non-General Fund Tax Growth

General and Other Major Operating Fund Taxes

2013 – 2021 (Actuals); 2022 (Revised); 2023 (Adopted); 2024 (Endorsed)



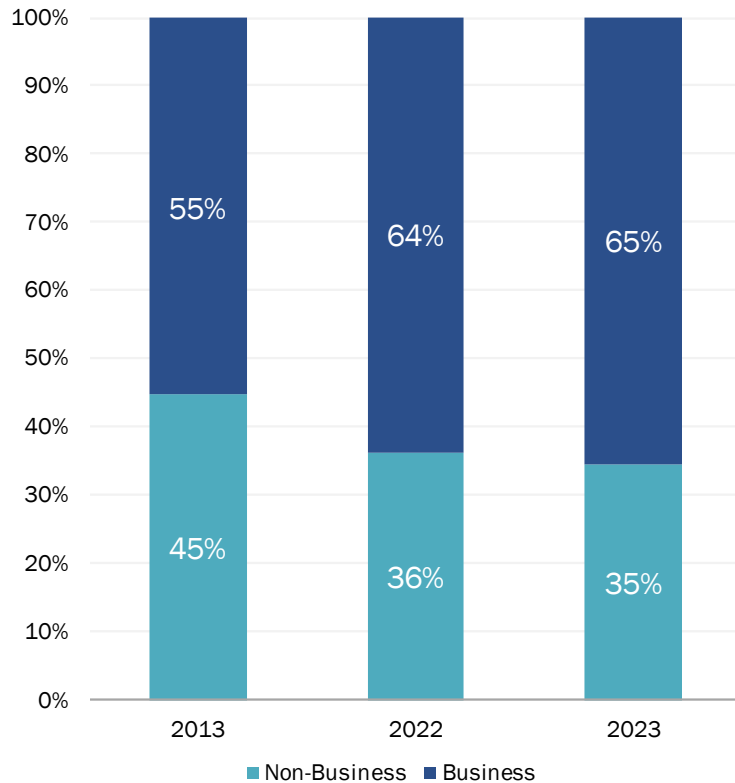
Taxes grew during the pandemic when revenues were expected to drop.

- 2022 taxes are 27 percent above 2019, with the introduction of the payroll expense tax.
- New taxes are in dedicated funds: short-term rental tax left the general fund in 2020, the sweetened beverage tax in 2021, and the payroll expense tax in 2022.
- General fund taxes continued to grow even despite the dedication of new taxes to other funds.

Source: City of Seattle budgets; Economic and Revenue Update presentations (August 8, 2022, and November 2, 2022) from the Office of Economic and Revenue Forecasts & the City Budget Office.

Business and Non-Business Tax Incidence

Business and Non-Business Tax Incidence
2013 versus 2022 and 2023



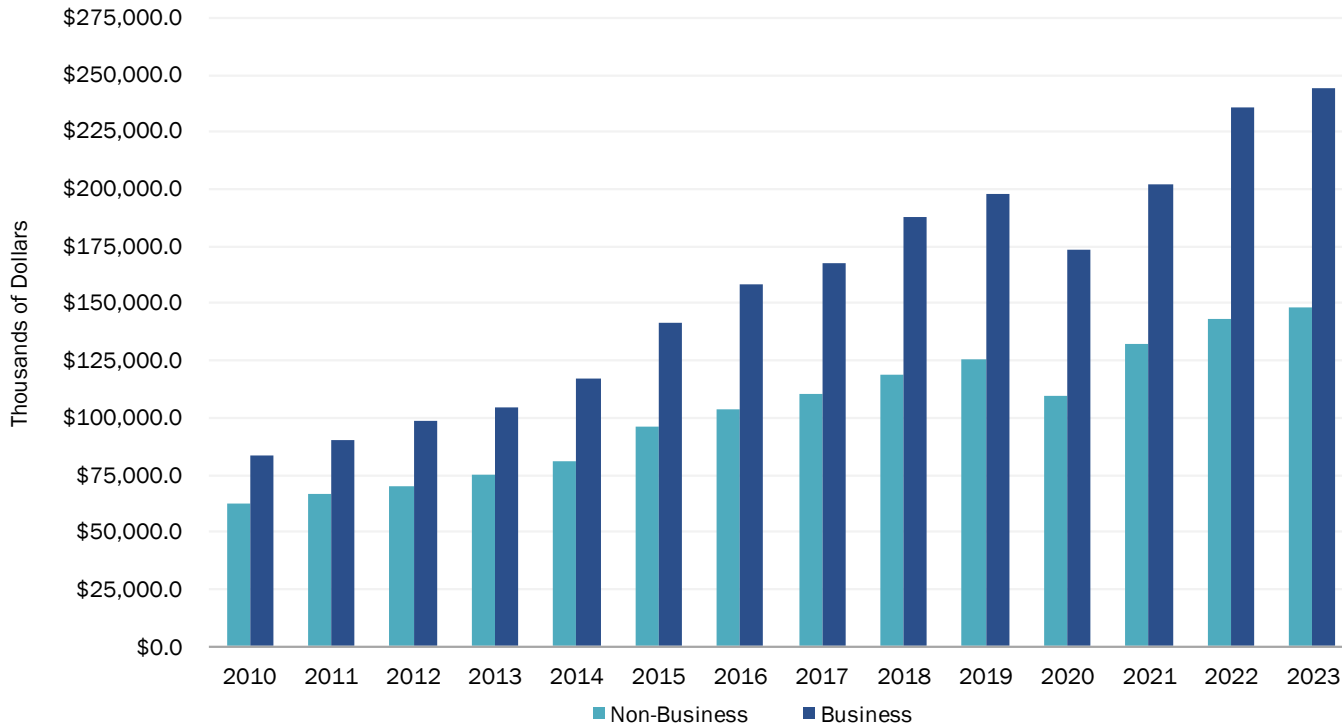
Source: City of Seattle budgets; Washington Department of Revenue.

Businesses pay an estimated two-thirds of City taxes, or \$1.3 billion in 2023.

- Tax incidence refers to the division of taxes that fall on different taxpayers.
- The estimated share of taxes paid by business taxpayers grew from 55 percent in 2013 up to 65 percent in 2023.

Incidence of City Sales and Use Tax

Estimated Incidence of City of Seattle Sales and Use Tax
2010 – 2023



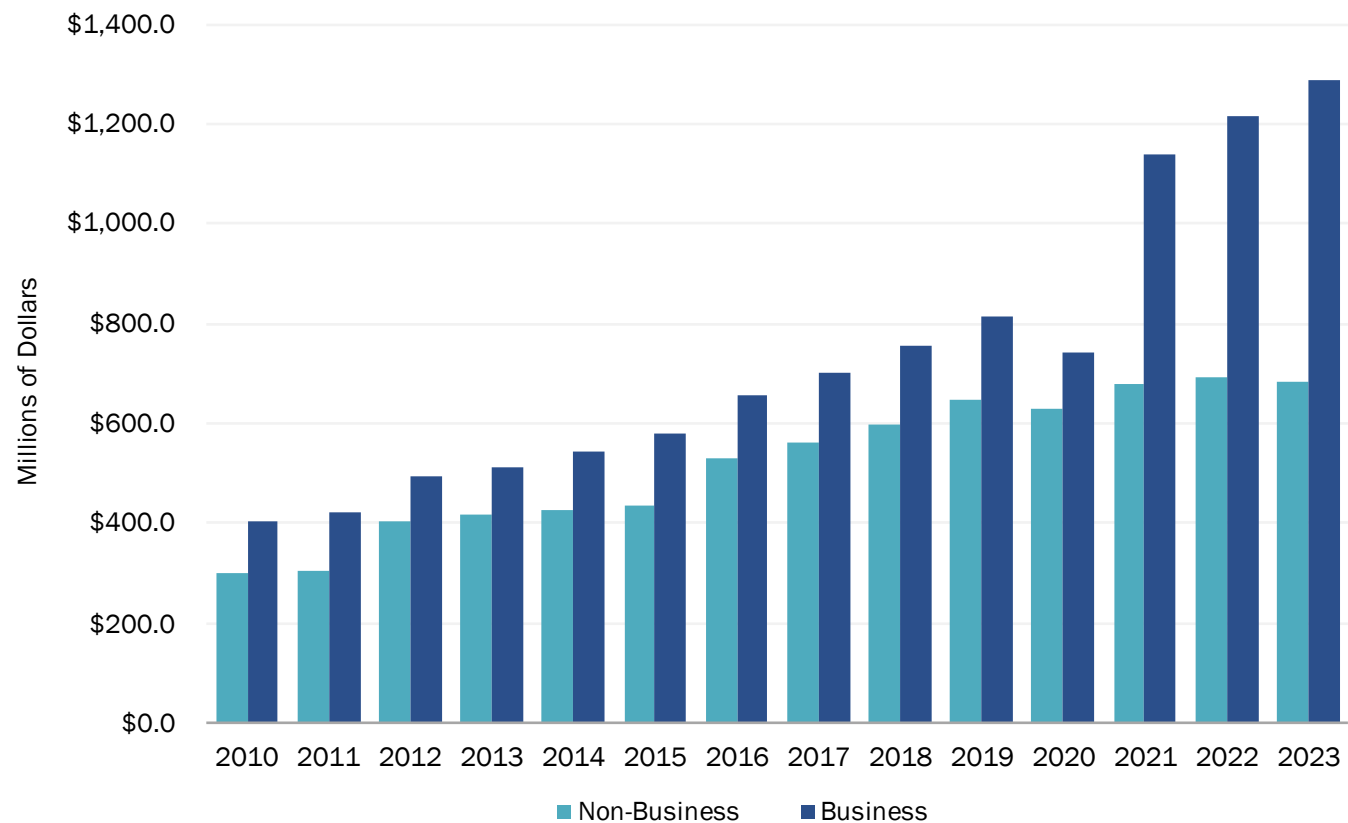
Source: City of Seattle budgets; Washington Department of Revenue.

Estimated sales and use tax incidence has shifted to businesses, in large part due to commercial and residential development boom.

Over the past 10 years, the boom in construction and development has resulted in a surge in sales tax paid largely by private developers and builders.

Estimated Incidence of City Taxes

Estimated Incidence of City of Seattle Taxes
2010 – 2023



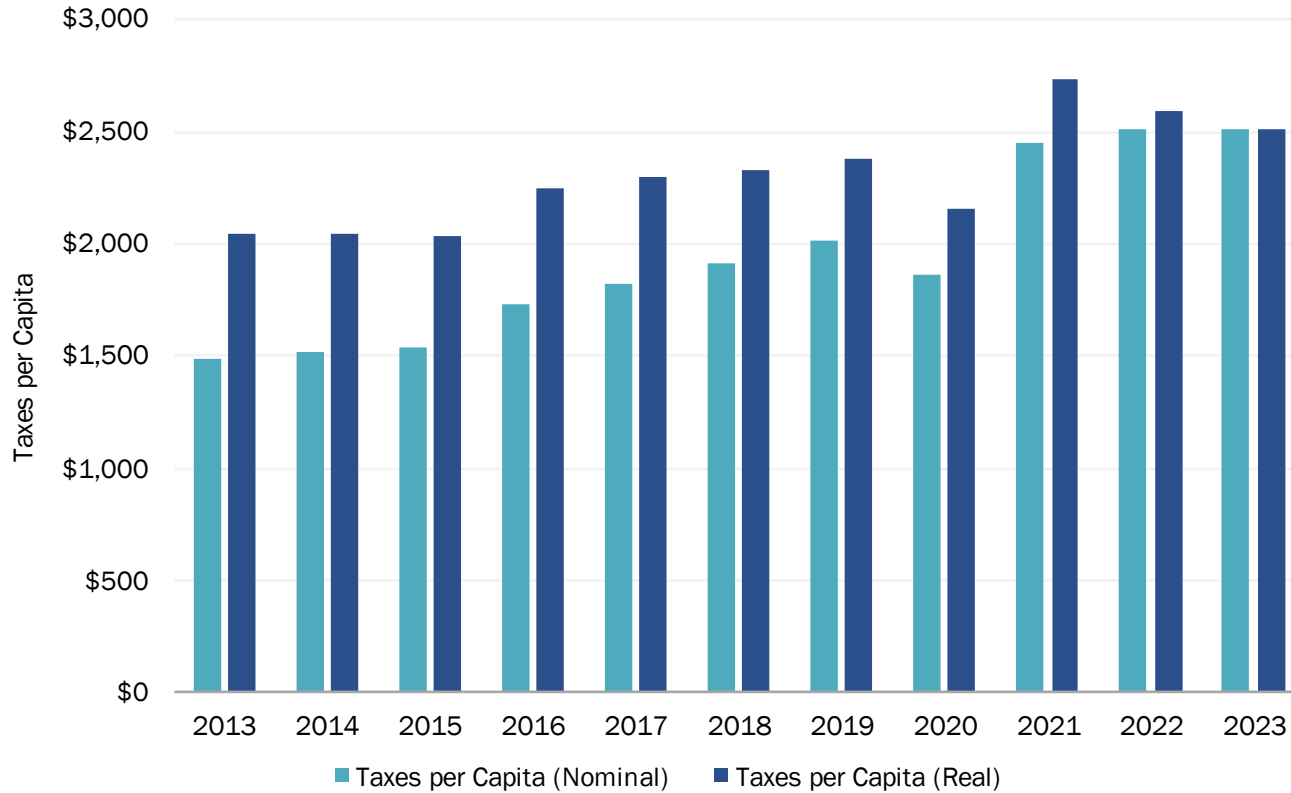
Source: City of Seattle budgets; Washington Department of Revenue.

The overall incidence of City taxes did not change substantially until 2021.

The introduction of the payroll expense tax has perhaps permanently shifted the balance between business and non-business taxpayers.

City Taxes per Capita

City of Seattle Taxes per Capita
2013 – 2023



Source: City of Seattle budgets; Puget Sound Regional Council.

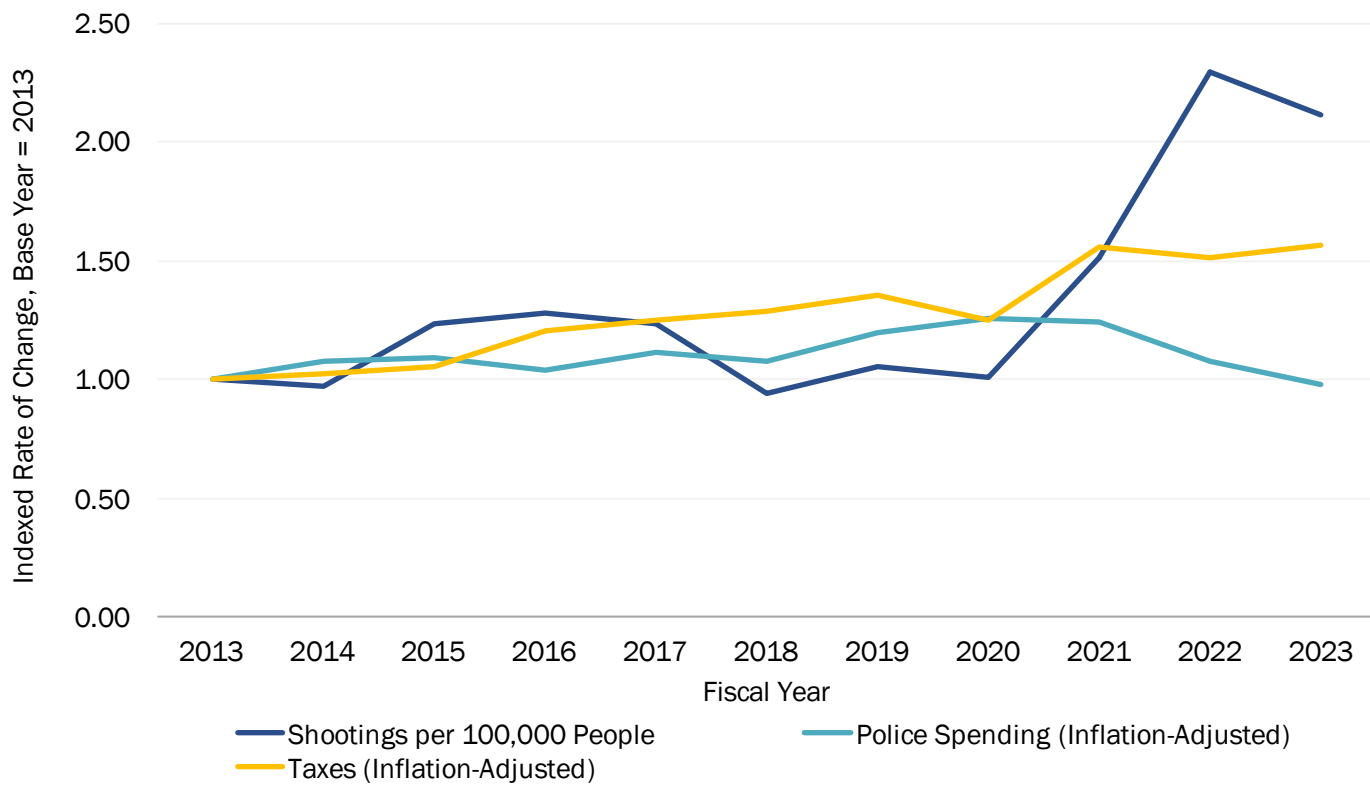
The City collects \$554 more per person in City taxes in 2023 than in 2013 (when adjusted for inflation).

- Seattle collected \$2,042 in taxes for every person living in Seattle in 2013. In 2023, that number has grown to \$2,514 (adjusted for inflation). This translates to a 27 percent increase.
- When unadjusted for inflation, taxes per person have grown by \$1,022 (a 69 percent increase).

Note: taxes include the Retail Sales Tax, Property Tax, Utility Taxes, B&O Taxes, Payroll Tax, and other other taxes like the Sweetened Beverage Tax.

City Spending on Public Safety

Taxes, Police Spending, and Shootings per 100,000 People Indexed Change Relative to 2013



Source: City of Seattle budgets; Puget Sound Regional Council; and the Seattle Police Department.

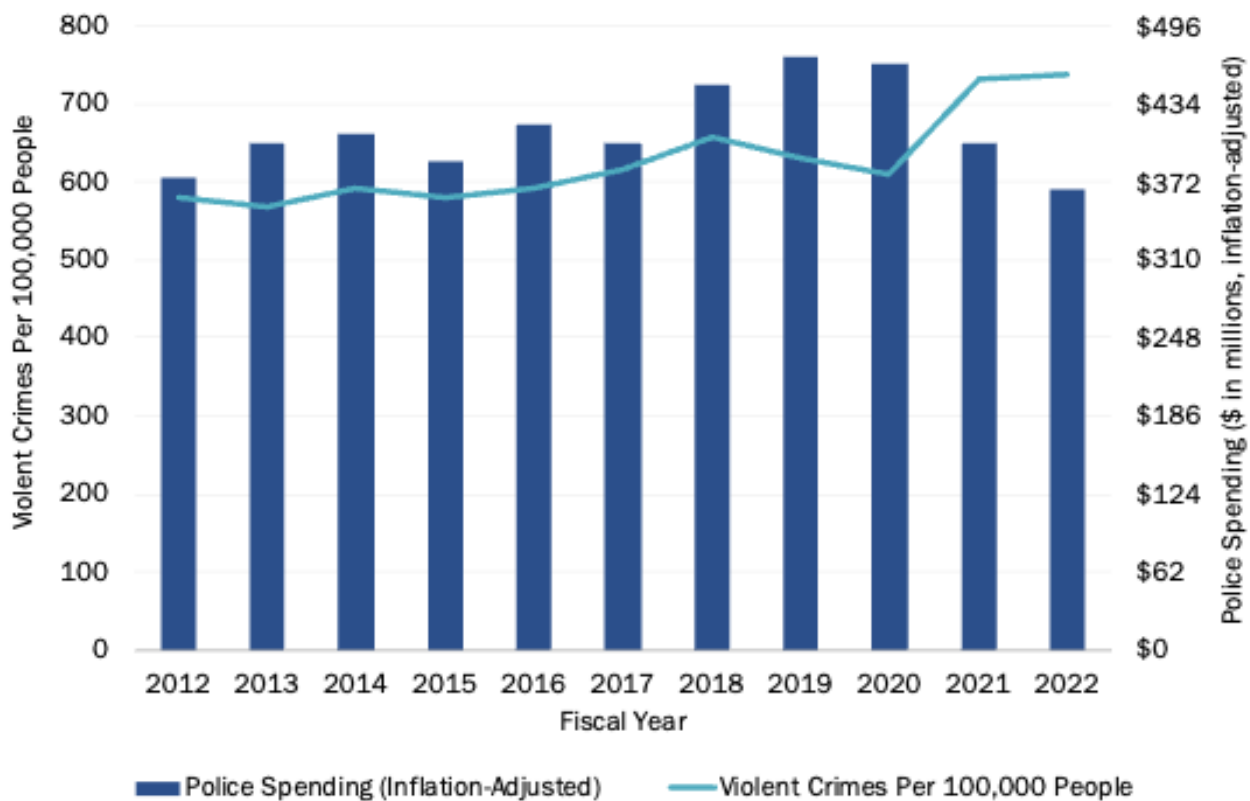
Spending on police has not kept pace with the City's growth in tax revenues.

- Police staffing is down since 2020 to its lowest point in 30 years, according to the City.
- There were 43 shootings per 100,000 people in 2013, and 98 shootings per 100,000 people in 2023—a nearly 130 percent increase.
- At the same times, City taxes have grown by almost 57 percent (in real terms) over the 2013 to 2023 period, while police spending decreased by two percent.

Data note: In ECONorthwest's December 2022 analysis, the shootings per 100,000 people calculation was based on monthly shooting data reported by the Seattle Police Department; for each year of data reported, the data were summed from October to December of the prior year with data from January to September of the current year (e.g., 2020 data was the sum of shootings from Oct – Dec of 2019 and Jan – Sept of 2020). In this analysis, ECONorthwest changed the calculation (for all years shown in the chart above) from the sum of June to December of the prior year and January to May of the current year so that the first five months of 2023 data could be reflected.

Violent Crimes and Police Spending

Violent Crimes and Police Spending
2012 – 2022



Source: City of Seattle budgets; Puget Sound Regional Council.

Since 2012, violent crimes per 100,000 people have increased by 27%.

The sharp decline in police spending (in real terms) coincided with a large increase in violent crimes.

Inflation-adjusted spending in 2022 was the lowest police spending in the previous decade.

Research Statement and Note

ECONorthwest prepared this analysis for the Downtown Seattle Association (DSA) and is responsible for the content of this analysis. As Seattle's policymakers and downtown interests engage on potential changes to tax policy and service delivery, the DSA is interested in advancing the community's understanding of the local tax landscape in the City of Seattle.

Staff at ECONorthwest prepared this report based on previous economic and fiscal research, information derived from published financial documents, government agency information and reports, interviews, and other sources believed to be reliable. City of Seattle Adopted Budget books provide the primary source material (including for actual historical revenues).

This analysis focus on the City's primary fund: it's General Fund. The majority of resources for services typically associated with the City, such as police and fire or libraries and parks are received into and spent from this fund.

The General Fund is supported through the city's major taxes and also receives tax revenues that are deposited to other specialized funds.

The City's proposed General Fund revenues are \$1.62 B in 2023 but total taxes – those deposited in other funds – brings the total closer to \$2.0 B. The total city budget is \$7.4 B but it includes utility operations and other fee supported enterprises.