

A Privilege Tax on Unearned Income to build social capital for all citizens:

AN ORDINANCE relating to family economics and wellbeing, child care, transit, mental health, and higher education, assessing a tax on the privilege of receiving unearned income for those taxpayers with incomes in excess of \$200,000 a year, the revenues therefrom to be dedicated to family leave, child care, transit, mental health, and higher education.

Whereas, child care, family leave, transit, mental health, and higher education are fundamental needs for the citizens of Seattle.

Whereas, the People in their legislature capacity find that in raising revenue it is appropriate to tax the privilege of receiving unearned income for those taxpayers with incomes in excess of \$200,000 a year, to fund these fundamental needs.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SEATTLE as follows:

Section 1. Legislative Findings and Intent. The People of the City of Seattle adopt and confirm the above recitals. In exercising their direct legislative authority, the People intend to make additional funds to be made available for child care, family leave, transit, mental health, and higher education. The People intend to raise such funds through the exercise of the City's power to impose a tax on the privilege of unearned income for those taxpayers with incomes in excess of \$200,000 a year.

Section 2. Definitions. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Income" means adjusted gross income, plus qualified dividends, plus tax exempt interest as determined under the federal internal revenue code.

(2) "Individual" means a natural person, whether filing individually or jointly.

(3) "Internal revenue code" means the United States internal revenue code of 1986 and amendments thereto, as existing and in effect on January 1, 2012.

(4) "Resident" includes an individual who:

(a) Has resided in the city of Seattle for the entire tax year; or

- (b) Is domiciled in the city of Seattle unless the individual:
 - (i) Maintains no permanent place of abode in the city of Seattle; and
 - (ii) Does not maintain a permanent place of abode elsewhere; and
 - (iii) Spends in the aggregate not more than thirty days in the tax year in the city of Seattle; or
- (c) Is not domiciled in the city of Seattle, but maintains a permanent place of abode in the city of Seattle and spends in the aggregate more than one hundred eighty-three days of the tax year in the city of Seattle unless the individual establishes to the satisfaction of the department that the individual is in the city of Seattle only for temporary or transitory purposes; or
- (d) Claims the city of Seattle as the individual's tax home for federal income tax purposes.
- (5) "Tax" means the privilege tax determined by this chapter, unless the context requires a different meaning.
- (6) "Taxpayer" means a person receiving income subject to tax under this chapter.
- (7) "Unearned income" means tax exempt interest, taxable interest, ordinary dividends, qualified dividends, and net capital gains, as determined under the federal internal revenue code.

Section 3. Assessment of Privilege Tax. This act applies to taxes collectible in 2016 and thereafter. A privilege tax is imposed on the receipt of unearned income by residents or qualifying non-residents deriving income from sources within the city of Seattle, who have total adjusted gross incomes in excess of \$200,000. The rate of the tax is as follows: Unearned income is hereby taxed at 1.5%.

Section 4. Establishment of the Building Social Capital Trust Fund.

1) A new City of Seattle trust fund - the "Building Social Capital Trust Fund" - is hereby established dedicated to fund child care, family leave, transit, mental health, and higher education. This trust is funded by the privilege tax assessed under this chapter.

(2) Revenue received by the trust must be devoted as follows:

- (a) No-cost Orca passes for all youth, seniors, and people with disabilities who live in Seattle;
 - (b) Expansion of the HOST outreach program to the homeless by \$3 million annually;
 - (c) Child care vouchers of \$150 a child per month for children in households at or below 140% of median household income in Seattle, to be used at facilities designated by the city of Seattle, including licensed family homes and child care centers;
 - (d) Four weeks of paid leave to care for newborn, newly adopted, and seriously ill family members, for all parents of such living in Seattle, at \$600 a week;
 - (e) Two years of community college tuition, or the equivalent dollar amount, to be applied to education at public community colleges or public universities or colleges in the state of Washington, for all graduating seniors of Seattle public high schools;
 - (f) Enhance student counseling and guidance at Seattle community colleges by \$4 million annually in order to enable completion of studies (completion rate is currently 35%).
- (3) In no case may this new revenue be used to supplant current funding for these services and/or costs;
- (4) 5% of the total estimated expenditures for services and funding provided through the Building Social Capital Trust Fund is allocated from the trust fund annually to the relevant City of Seattle departments to administer these services and funding.
- (5) The office of city auditor must prepare an annual audit of the funds deposited in the Building Social Capital Trust Fund, reporting on how funds have been spent and estimating the number of city residents benefited, and public and private jobs created and/or maintained, including the multiplier effects of public expenditures. Quarterly disclosure of tax collection and spending under this chapter must be posted on a web site maintained by the city auditor and such disclosure must, at a minimum, include the information set forth in RCW 43.08.150, localized for the city of Seattle.