



NEWS RELEASE

City of Seattle
Gregory J. Nickels, Mayor

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Mayor, Two Councilmembers propose repealing city tax

Move aimed at encouraging job growth

SEATTLE – Mayor Greg Nickels and Councilmembers Richard Conlin and Tim Burgess announced today a proposal to encourage job growth by repealing a tax paid by Seattle businesses.

The annual tax of \$25 per employee, known as the “employee hours tax,” was imposed in 2006 as part of a package to provide additional funding for transportation projects. The repeal would be effective Jan. 1, 2010.

“In these tough economic times, we want to do everything possible to create jobs and help businesses grow. I want to thank Councilmembers Burgess and Conlin for their leadership in repealing this tax,” said Nickels. “By taking this action, we will both improve our business climate and still meet our commitment to fixing roads.”

“We have worked closely with the mayor over the past few months to identify obstacles to economic growth and we agree that repeal of this tax will encourage job growth,” Burgess said. “The employee hours tax has generated less revenue than anticipated, but more importantly it has negative consequences because it taxes the creation of new jobs.”

The employee hours tax was originally proposed during a strong economy as a revenue source tied to employees who drive to work alone. There were multiple exemptions for workers who commute by mass transit, carpool, bicycle or walking. It was part of the “Bridging the Gap” transportation improvement plan.

“It’s Economics 101: when you tax something, you get less of it, and we want more jobs in Seattle,” said Council President Conlin. “We asked the business community what would help them get back on their feet, and this was one of their first suggestions. That’s why my Committee of the Whole on Economic Recovery decided to address this issue. We’re removing a barrier to getting people back to work.”

If approved by Council, the repeal of the employee hours tax would reduce revenue for some transportation projects, such as streets and sidewalks, by approximately \$4.7 million next year. No specific projects had been identified for these funds. In addition to property taxes, the “Bridging the Gap” program also receives revenue from commercial parking taxes, which are raising more funds than anticipated. Even without the employee hours tax revenues, the budget for “Bridging the Gap” remains about \$60 million in 2010.

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