

# General Fund Revenue Overview

## National Economic Conditions and Outlook

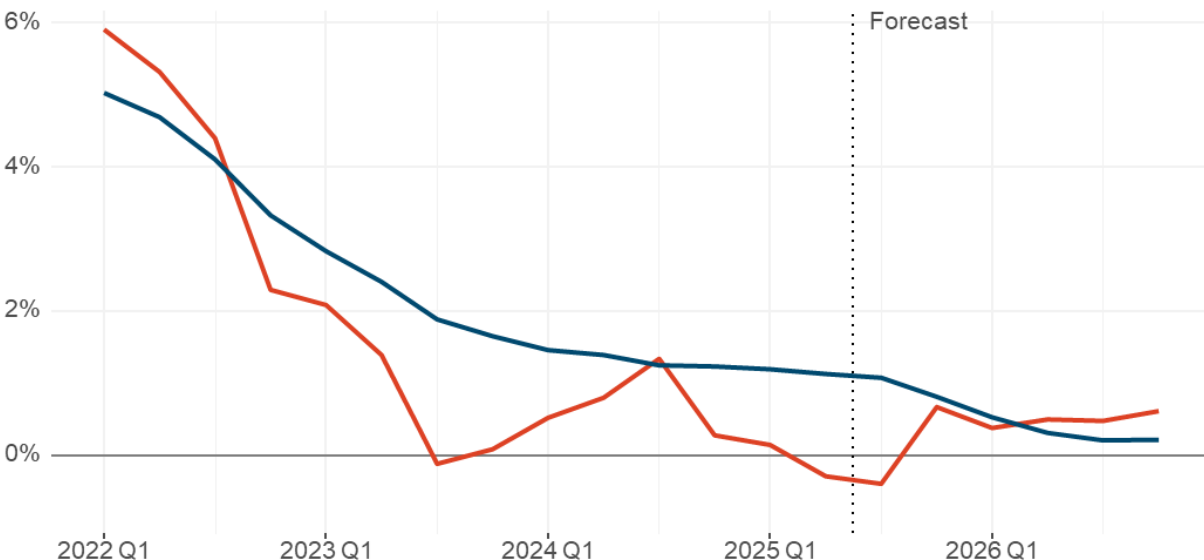
Disappointing inflation readings in the first half of 2024 compelled the Federal Reserve Bank to keep its interest rate in the 5.25% to 5.50% range. But as inflation continued to ease and showed more satisfactory progress towards the 2% inflation target, Federal Open Market Committee (FOMC) members decided to lower the interest rate by 0.5% in September 2024 and made two additional 0.25% cuts in the November and December meetings. Tariffs announced in April 2025 were largely expected to lead to higher inflation, but uncertainty regarding the details of trade policy changes, and the response of households, businesses, and overall economic impacts put the Fed on hold with further monetary easing. While the labor market cooled down noticeably in the first half of 2025, so far tariffs have not led to a spike in inflation that economists were expecting. The Fed is likely to resume monetary easing in September, with at least one interest rate cut expected in November or December meeting.

The August revenue forecast presented below as well as the underlying regional economic forecast developed in July are based on the average of the national economic forecasts from S&P Global and Moody's Analytics released in early July. Despite notably higher risks of a recession, most economists expect that the national economy will be able to avoid a downturn. However, employment growth is expected to be low as growth in both labor demand and labor supply has slowed and hiring has declined. As shown in the employment figures below, the July forecast for the U.S. expected only modest job growth in 2025 and 2026.

### Employment growth

Year-over-year % change in total nonfarm employment

■ Seattle Metropolitan Division ■ United States



Source: The average of July U.S. baseline scenario economic forecasts from S&P Global and Moody's Analytics. July baseline scenario regional economic forecast from the Office of Economic and Revenue Forecasts.

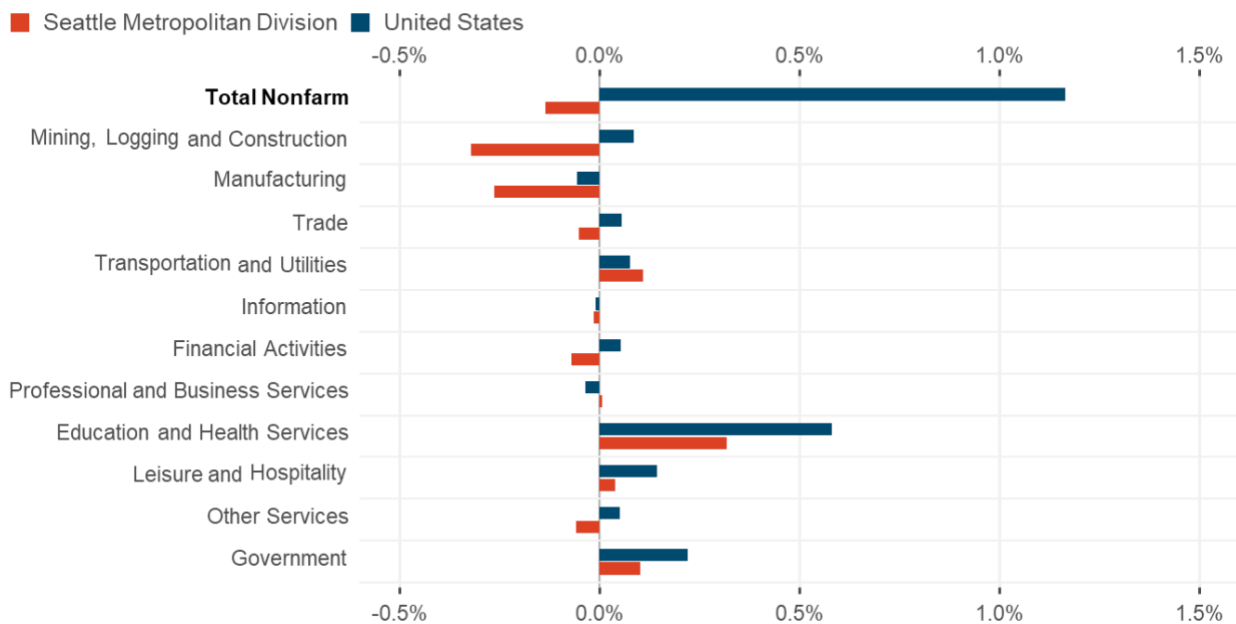
## Seattle Metropolitan Area Economic Conditions and Outlook

Evident from the figure above, Seattle’s regional economy has continued to lag the performance seen at the national level. Based on the estimates released by the Washington State Employment Security Department (ESD) in July 2025, which revised regional employment down going back to October 2024, employment declined about 0.1% year-over-year in the first half of 2025 while U.S. employment grew 1.1% during the same period.

There are several factors that have negatively affected the region’s recent economic performance, clearly visible in the figure below. Reductions in the demand for office space and quickly rising office vacancy rates, combined with high interest rates, have resulted in a significant slowdown of construction activity after a decade of construction boom. Manufacturing employment has declined due to layoffs at Boeing. And finally, labor demand in the tech sector remains weak. While tech layoffs were not unique to Seattle, this sector has a disproportionate impact on the Seattle region relative to the nation as whole. Regional employment in Trade, Information and Professional and Business Services – sectors where regional tech companies operate – declined by 25,000 between June 2022 and December 2023, approximately 1.5% of total regional employment, and has not grown since.

### Total payroll employment growth and contributions by industry

% change year-over-year, 2025 H1 over 2024 H1



Source: U.S. Bureau of Labor Statistics, Washington State Employment Security Department. Seasonally Adjusted.

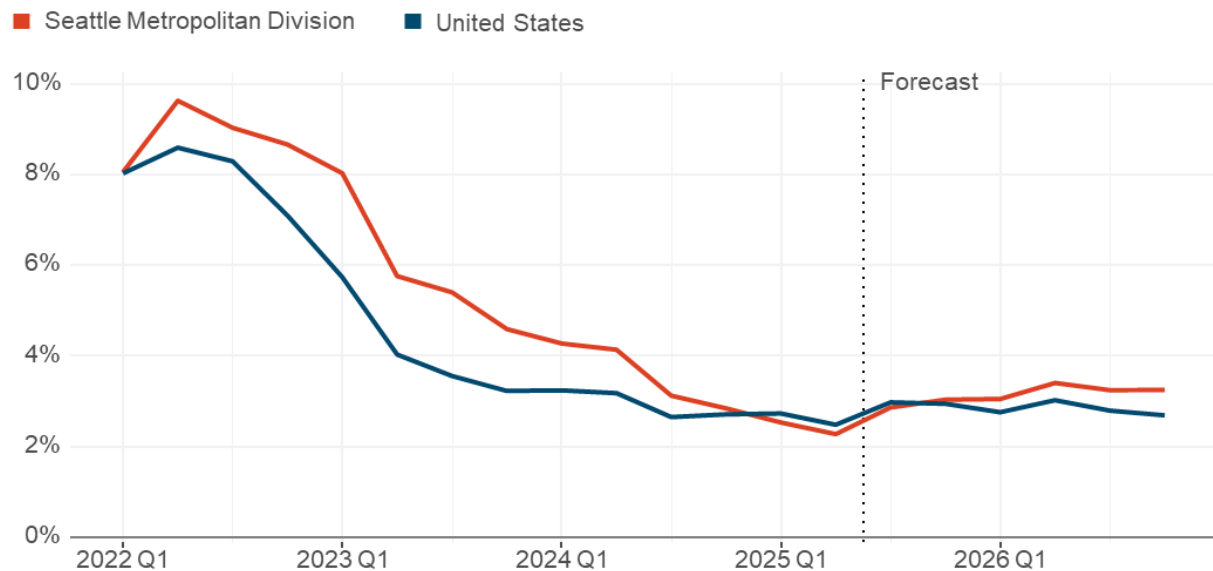
The most recent regional economic forecast, prepared by the Office of Economic and Revenue Forecasts in July 2025<sup>1</sup>, projects that regional employment will remain flat in 2025 and only grow 0.5% in 2026. This reflects the uncertain economic outlook as well as the downward revision in year-to-date job growth by the ESD and the underlying employment composition by industry.

<sup>1</sup> <https://www.seattle.gov/economic-and-revenue-forecasts/forecasts>

While most of the uncertainty and downside economic risks are with regard to the path of the labor market, tariffs have now added uncertainty to the inflation outlook. In the first half of 2025, both national and Seattle area inflation rates were notably lower than the forecasts from March, which anticipated tariffs to quickly affect prices. In reality, the overall price level as measured by the CPI-U increased by a modest 2.6% in the U.S. and 2.3% in the region. But most economists still expect tariffs to lead to higher inflation in the coming months as the stock of pre-tariff inventories is depleted, tariffs on materials work their way through the supply chain, and there is more clarity on trade policy overall, compelling businesses to adjust their prices accordingly.

The figure below illustrates the quarterly outlook for regional inflation, which begins to rise marginally in the second half of 2025. On an annual basis, the Office of Economic and Revenue Forecasts estimates that the regional CPI-U inflation rate for 2025 will remain low at 2.8%. A softening in the regional residential rental market and slower rent growth have been key factors in the recent cooling of inflation, as housing represents close to 50% of the overall expenditures accounted for in CPI-U. In 2026, inflation is expected to increase slightly to 3.3% as a result of higher tariffs.<sup>2</sup>

### Inflation, CPI-U year-over-year % change



Source: The average of July U.S. baseline scenario economic forecasts from S&P Global and Moody's Analytics. July baseline scenario regional economic forecast from the Office of Economic and Revenue Forecasts.

<sup>2</sup> <https://www.seattle.gov/economic-and-revenue-forecasts/inflation>

## **City Revenue**

The following sections present the current forecast for revenue sources supporting the City's primary operating fund, the General Fund, its primary capital funds REET I and REET II, and six select other funds – the Arts and Culture Fund, Seattle Park District Fund, Sweetened Beverage Tax Fund, the Short-Term Rental Tax Fund, the Transportation Fund, and the JumpStart Payroll Expense Tax Fund.

### **General Fund Revenue Forecast**

While there are some persistent vulnerabilities in the Seattle region's economy, resilient tax revenues and City policy proposals lead to an encouraging revenue picture through 2026. As the table below shows, General Fund revenues are revised to \$1,963.2 million in 2025, up \$26.9 million (1.4%) from 2025 Adopted revenues, and to \$1,993.5 million in 2026, up \$35.3 million (1.8%) from 2026 Endorsed revenues. The 2025 increase is driven largely by higher than previously anticipated business & occupation (B&O) tax and utility tax revenues. In 2026, two City tax proposals will generate new revenues: voters will determine in November whether to authorize changes to the B&O tax; and the City Council will decide in October whether to approve an increment to the sales and use tax. Proposed policy changes for 2026 also include a \$75.5 million reduction in the transfer from the JumpStart Payroll Expense Tax Fund and are in addition to the August forecast that was approved by the City's Economic and Revenue Forecast Council on August 4, 2025. The sum of these policy changes is a net increase in 2026 revenue of \$42.1 million.

**General Fund Revenue, 2024 – 2026, thousands of dollars**

<b>Revenue</b>	<b>2024 Actuals</b>	<b>2025 Adopted</b>	<b>2025 Revised</b>	<b>2026 Endorsed</b>	<b>2026 Proposed</b>
Property Tax	312,103	324,502	324,099	324,857	323,193
Property Tax - Medic One Levy	66,873	63,788	65,123	78,153	75,221
<b>Property Tax Total</b>	<b>378,975</b>	<b>388,290</b>	<b>389,222</b>	<b>403,010</b>	<b>398,414</b>
Sales & Use Tax	312,262	315,620	315,776	322,024	330,912
Sales & Use Tax - Criminal Justice	28,130	28,373	28,899	28,954	69,105
<b>Sales &amp; Use Tax Total</b>	<b>340,392</b>	<b>343,993</b>	<b>344,674</b>	<b>350,978</b>	<b>400,017</b>
Business & Occupation Tax	353,343	369,454	383,042	394,550	471,570
Payroll Expense Tax	-429	0	939	0	0
Utilities Business Tax - Private Utilities	40,454	34,503	39,158	32,995	39,547
<b>Utility Tax - Private Total</b>	<b>40,454</b>	<b>34,503</b>	<b>39,158</b>	<b>32,995</b>	<b>39,547</b>
Tonnage Tax	7,178	5,521	5,865	5,703	5,930
Utilities Business Tax - City Light	74,324	70,580	71,747	72,255	72,548
Utilities Business Tax - City SWU	26,576	27,546	28,639	28,455	29,007
Utilities Business Tax - City Water	40,709	38,740	39,359	39,547	39,379
Utilities Business Tax - Drainage/Waste Water	68,881	72,560	71,788	76,593	75,891
<b>Utility Tax - Public Total</b>	<b>217,668</b>	<b>214,947</b>	<b>217,397</b>	<b>222,553</b>	<b>222,755</b>
Firearms & Ammunition Tax	85	100	110	100	103
Gambling Tax	511	0	473	325	398
Leasehold Excise Tax	9,278	7,885	7,823	8,001	8,058
Pleasure Boat Tax	124	130	130	130	130
Transportation Network Company Tax	5,169	5,664	5,123	5,772	5,203
<b>Other City Taxes Total</b>	<b>15,167</b>	<b>13,778</b>	<b>13,659</b>	<b>14,329</b>	<b>13,893</b>
Meter Hood Service	3,965	4,400	4,000	4,400	4,000
Parking Meters	35,227	36,342	33,328	38,456	32,476
<b>Parking Meters Total</b>	<b>39,192</b>	<b>40,742</b>	<b>37,328</b>	<b>42,856</b>	<b>36,476</b>
Adult Probation and Parole	1	0	0	0	0
Court Fees & Charges	1,093	528	626	478	558
Court Fines	17,272	24,753	22,203	23,584	22,017
<b>Court Fines Total</b>	<b>18,366</b>	<b>25,281</b>	<b>22,829</b>	<b>24,062</b>	<b>22,576</b>
Criminal Justice Assistance	5,814	5,371	6,184	5,578	6,580
E-911 Reimbursements & Cellular Tax Revenue	718	1,004	1,004	1,004	1,077
Liquor Board Profits	5,882	5,996	5,947	6,061	5,947
Liquor Excise Tax	5,374	5,341	5,454	5,480	5,536
Marijuana Excise Tax	1,463	2,108	2,207	2,267	2,299
Trial Court Improvement Account	149	150	150	150	150
<b>Revenue from Other Public Entities Total</b>	<b>19,400</b>	<b>19,969</b>	<b>20,946</b>	<b>20,539</b>	<b>21,589</b>

**General Fund Revenue, 2024 – 2026, thousands of dollars, continued**

<b>Revenue</b>	<b>2024 Actuals</b>	<b>2025 Adopted</b>	<b>2025 Revised</b>	<b>2026 Endorsed</b>	<b>2026 Proposed</b>
Federal Direct Grants	8,169	3,992	27,410	3,992	3,492
Federal Indirect Grants	4,189	2,690	12,347	2,690	1,814
Other Grants	850	554	1,608	554	554
State and Local Grants	8,679	7,489	14,587	7,471	7,471
<b>Grants Total</b>	<b>21,887</b>	<b>14,724</b>	<b>55,952</b>	<b>14,706</b>	<b>13,330</b>
Transfer from - Other Fund	21,667	434	1,158	458	652
Transfer from - Payroll Expense Tax Fund	91,354	314,535	280,535	275,366	199,866
<b>Fund Balance Transfers Total</b>	<b>113,021</b>	<b>314,969</b>	<b>281,693</b>	<b>275,824</b>	<b>200,518</b>
Cost Allocations & Administrative Charges	33,196	34,146	36,366	35,686	35,847
Legal Services	4,349	3,067	3,230	3,158	1,689
Other Proceeds	831	89	82	90	15
Personnel Service Charges	33,422	34,032	28,852	35,455	30,018
Public Safety Enforcement	12,155	10,034	11,836	10,436	11,143
Sales Proceeds	37	0	0	0	0
Use Charges	122	225	204	225	162
<b>Service Charges &amp; Reimbursements Total</b>	<b>84,111</b>	<b>81,594</b>	<b>80,569</b>	<b>85,051</b>	<b>78,873</b>
Animal Shelter Licenses & Fees	2,446	2,587	2,610	2,617	2,629
Business License Fees	21,255	20,751	21,628	21,344	21,891
Emergency Alarm Fees	849	514	434	514	434
Fire Permits & Fees	7,225	9,482	8,965	9,496	8,979
Interest on Investments	19,447	19,531	16,710	18,749	15,534
Miscellaneous Revenue	9,148	7,607	12,052	7,468	8,122
Other Business Licenses, Permits, & Fees	7,047	8,146	7,609	10,671	10,429
Other Interest Earnings	1,405	900	1,166	800	877
Private Contributions & Donations	0	0	149	0	0
Professional & Occupational Licenses	4,068	3,763	3,748	4,316	4,298
Street Use Permits	715	760	725	760	737
<b>Licenses, Permits, Interest Income and Other Total</b>	<b>73,606</b>	<b>74,041</b>	<b>75,795</b>	<b>76,735</b>	<b>73,929</b>
<b>Total General Fund</b>	<b>1,715,154</b>	<b>1,936,286</b>	<b>1,963,203</b>	<b>1,958,189</b>	<b>1,993,488</b>

**Property Tax.** Property taxes paid in the current year are based on valuations as of January 1 of the previous year. The revenue forecasts and projected tax rates for 2026 are based on January 1, 2025 valuations. Over the course of the year, the King County Assessor conducts the research and appraisals needed to retroactively determine those valuations. Assessed values (AV) have declined over the last two years due to the high-interest rate environment, uncertainty around the long-term demand for office space, and a cooling residential market. While expectations of further interest rate cuts later this year may boost the real estate market, assessed values are expected to grow much more slowly than anticipated last year. At the same time, the construction sector continues to grapple with high costs and rising office vacancy rates that are likely to prevail for an extended period. As a result, the outlook for new construction has also weakened since last year. Given these developments, 2026 Proposed revenues from the general expense property tax have been revised to \$323.2 million, down \$1.7 million compared to the 2026 Endorsed. 2025 Revised revenues have not materially changed from the 2025 Adopted.

**Medic 1/Emergency Medical Services.** This county-wide property tax is levied by King County. Conceptually, the City of Seattle receives a distribution of the proceeds equal to the county-wide tax rate multiplied by the City's AV. The county-wide tax rate is based on the approved annual Medic 1/EMS levy amount divided by total King County AV. Thus, the tax rate increases or decreases, respectively, when King County AV shrinks or grows faster than the rate of growth of the levy amount. The City's share, in turn, grows or shrinks with the tax rate and the pace of growth of the City's AV relative to the County's AV. For 2025, revenues are anticipated to be \$65.1 million, \$1.3 million higher than the adopted owing to slightly slower AV growth for the County and faster AV growth for the City than was expected. However, the 2026 Proposed Budget includes revenues of \$75.2 million, \$2.9 million lower than the 2026 Endorsed as the Medic 1/EMS levy renewal vote will include a rate of \$0.25 per \$1,000 assessed value – lower than previously assumed – and City AV is expected to grow much more slowly.

**Sales and Use Tax.** Consistent with the weak performance of the regional economy and notable declines in revenues from the construction and trade sectors, the revised forecast anticipates only 1.3% growth in sales tax revenues in 2025, which is about \$0.7 million more compared to the 2025 Adopted Budget forecast. This is expected to be followed by 4.8% growth in 2026, as interest rates decline and sales tax revenues are further boosted by Engrossed Substitute Senate Bill 5814, which expands the list of services subject to the sales tax. This change along with the proposed added sales tax increment of 0.1% for criminal justice investments results in 2026 Proposed sales tax revenues that are \$49.0 million higher than the 2026 Endorsed.

**Business and Occupation (B&O) Tax.** Similar to the sales tax, Seattle's weak economic performance is expected to weigh on B&O tax revenues as well. But while sales tax and B&O tax in general tend to move together, the tax base for B&O tax is more diversified, with the construction and trade sectors taking up smaller shares. Consequently, B&O revenues are expected to show slightly stronger performance since the decline in the construction sector has created a larger drag on sales tax growth. B&O tax revenues are however expected to be negatively affected in 2026 by the Engrossed Substitute Senate Bill 5814, which reclassifies some services as retail and in effect lowers the B&O tax rate imposed on gross receipts from affected activities. But this reduction is offset by the proposed increase to B&O tax rates across all classifications, which leads on net to an increase of \$77.0 million above the 2026 Endorsed.

**Utility Business Tax – Private Utilities.** This revenue category includes taxes on cable television, telephone service, natural gas, and the central steam heating provided in the downtown core. The

overall forecast for this revenue category is slightly revised upward, garnering an additional \$0.1 million for 2025 Revised revenues when compared to the 2025 Adopted, and \$1.7 million for 2026 Proposed revenues when compared with the 2026 Endorsed. This adjustment reflects two developments. One, a colder start of 2025 increased demand for heating utilities. Two, revenues for cable television have shown a slowdown in their decline, suggesting that the revenue stream is “bottoming out” with a stable base of taxpayers. In total, private utilities are projected to reach \$39.2 million in 2025 and \$39.5 million in 2026.

**Utility Business Tax – Public Utilities.** The City levies a tax on most revenue from retail sales collected by City-owned utilities (Seattle City Light and Seattle Public Utilities). Tax rates range from a State-capped 6% on City Light up to a current 15.54% on the City Water utility. The current forecast revises 2025 revenues slightly upward by \$2.5 million compared to the Adopted, capturing a stronger than expected performance by solid waste and electric the first half of the year. The forecast for 2026 remains virtually unchanged at \$222.8 million.

**Transportation Network Company Tax.** In November 2019, the City Council approved a tax on transportation network companies (TNC), such as Uber and Lyft, effective July 1, 2020. As approved, the tax of \$0.57 per trip is owed for all rides originating in Seattle by TNC’s with more than 1 million rides per calendar quarter. Council reduced the ride threshold to 200,000 rides per quarter effective October 2020, and then, per state law, the tax rate to \$0.42 per trip effective January 1, 2023. At the start of the COVID-19 pandemic, the demand for rides and the number of drivers plummeted, dramatically reducing TNC tax revenue. Since this pandemic low, the recovery of both demand for rides and supply of drivers has continued to be anemic. The forecast for both 2025 and 2026 has been revised down by \$0.5 million to \$5.1 million and \$5.2 million, respectively, largely due to lower-than-expected year-over-year growth for the first half of 2025.

**Parking Meters.** Revenue from on-street parking meters is forecast to be \$33.3 million in 2025 and \$32.5 million in 2026. The 2025 forecast has declined \$3 million (-8.3%) from the 2025 Adopted Budget and the 2026 forecast has declined \$6.0 million (-15.5%) since the 2026 Endorsed Budget. The downward revisions, as well as the year-over-year decrease, are due mostly to declining meter rates. Rate changes are typically made by the Seattle Department of Transportation three times per year and are determined by its Performance-Based Parking Program model which sets rates to target one to two open spaces per block face. Each cycle, changes are a mix of increases and decreases citywide, but recent changes have represented a decrease in average parking rates.

Declining transactions have also contributed to the downward revision in projected revenues. The number of paying parkers has been declining slowly but steadily since peaking in 2022. That year, there were 9.4 million parking meter transactions. In 2024, there were only 8.6 million, a decline of 9%, even while the number of metered spaces increased by 3% over this time period. One cause of this decline may be scofflaw or parkers not paying the meter. City Council recently approved significant increases to parking citation fine amounts, effective January 2025 (see next). Over time, this may lead to a higher likelihood of meter payment among parkers, but the forecast does not assume such a change.

**Court Fines.** The City imposes and collects fines and related fees on various citations, primarily on-street parking tickets and camera-enforced red-light violations. The amounts going to the General Fund from these sources are projected to be \$22.1 million in 2025 and \$22 million in 2026. The 2025 projection represents a decrease of \$2.5 million (-10.6%) relative to the 2025 Adopted and the 2026 projection represents a decrease of \$2 million (-8.5%) relative to the 2026 Endorsed. The reduction is mostly



attributable to red-light camera citations being lower in 2024 and 2025 than previously expected and estimates of future volumes being adjusted accordingly. All totals include an assumption of additional revenue from increases to parking citation fine amounts, which were approved as part of the 2025 Adopted Budget and took effect in January 2025. At the time, these changes were estimated to add \$4.9 million to annual revenues.

**Grant Revenues.** Federal, State and local grant revenues can change significantly over time as departments learn of new grant opportunities and applications are successful. Importantly, grant revenues are, by their nature and purpose, matched dollar-for-dollar with expenditures across the life of the grant. As such, grants do not provide additional discretionary revenues for allocation through the budget process. In the budget, grants are fully appropriated in the first year of acceptance. Revenues are assumed to equal that appropriation but are only collected when spending occurs, which could be over multiple years. The 2025 Revised forecast for grant revenues of \$56.0 million includes grants carried forward from 2024 that have not been spent down. 2026 Proposed revenues are \$13.3 million, down from the 2026 Endorsed by \$1.4 million.

**Fund Balance Transfers.** Fund balance transfers are revenue transfers between City funds. The transfer in 2025 has been revised down by \$33.3 million as a result of legislation that reduced the transfer from the Payroll Expense Tax Fund. 2026 Proposed transfers are down \$75.3 million from the 2026 Endorsed, also due to a reduction in the transfer from the Payroll Expense Tax Fund. For further explanation of the transfer and uses of payroll expense tax revenues, please see the Budget Overview section of this budget book.

**Service Charges and Reimbursements.** This category includes revenues to recover the costs of services within city government and revenues generated from legal and personnel services. Revenues for both 2025 and 2026 have been revised down compared to the Adopted and Endorsed to \$80.6 million and \$78.9 million, respectively, largely because of reduced rates charged by the Seattle Department of Human Resources.

**Licenses and Permits.** The City requires all businesses operating in Seattle to have a business license. The cost of these licenses increases with the business revenues. For 2025, business license revenues were revised up \$0.9 million compared to the 2025 Adopted Budget and \$0.5 million compared to the 2026 Endorsed Budget.

**Interest Income.** The City receives interest earnings on its residual cash holdings. Anticipated decreases in interest rates have led to a downward revision for 2025. The revised estimate for 2025 is approximately \$16.7 million, down from the \$19.5 million in the 2025 Adopted Budget. Earnings rates are projected to decrease further in 2026 and the resulting forecast is for interest earnings to decrease to \$15.5 million in 2026.

## **Non-General Fund Revenues of Note**

In addition to forecasts of General Fund revenues, the Office of Economic and Revenue Forecasts and the City Budget Office track and forecast various other revenues that are accounted for in separate funds and support general government purposes.

**REET I and REET II Capital Funds – Real Estate Excise Tax (REET).** REET revenues are generated by a combined 0.5% tax on all real estate transactions. In 2024, the Federal Reserve cut its interest rate by 1% in the second half of the year, but long run interest rates did not change much and remain high, with the average 30-year mortgage rate still above 6.5%, limiting both the demand and the supply of homes for sale. REET revenues increased to \$62.7 million in 2024 and are expected to further grow to \$68.2 million in 2025, up from \$66.5 million in the forecast underlying the 2025 Adopted Budget. For the 2026 Proposed Budget, the forecast now anticipates \$77.2 million, down from the \$85.7 million expected in the 2026 Endorsed Budget.

**Arts and Culture Fund - Admission Tax.** Admission tax revenue is expected to be \$23.9 million for 2025. This is down by \$2.6 million from the \$26.5 million in the 2025 Adopted Budget. The projected revenue for 2026 is \$25.4 million, an increase of \$1.5 million from 2025, but still \$1.8 million below the 2026 Endorsed Budget forecast. The 6.4% year-over-year growth expected in 2026 reflects the anticipated impact of the 2026 FIFA World Cup on entertainment and related events in the City, while the overall downward revision of admission tax revenues is based on fewer international visitors expected compared to the outlook from last October.

**Seattle Park District Fund – Property Tax Levy.** In August 2014, voters approved the creation of a Metropolitan Park District (MPD). Pursuant to RCW 35.61, the MPD is a legally separate taxing jurisdiction, whose property tax levy authority of \$0.75 per \$1,000 assessed value is outside of the City's statutory rate limit of \$3.60 per \$1,000 assessed value and whose revenues are not accounted for in the City's General Fund. The MPD is levying \$127.4 million in 2025 and \$131.2 million in 2026 in line with the adopted six-year spending plan.

**Sweetened Beverage Tax Fund.** The Sweetened Beverage Tax is 1.75 cents per ounce of sweetened beverages or the equivalent for condensed syrups distributed into the City of Seattle. Consumption patterns and volumes have stabilized since the COVID era low of \$15.6 million. Revenues in 2024 came in at \$20.0 million and the revised forecast for 2025 anticipates collections at a similar level. The 2026 Proposed Budget anticipates revenues of \$22.2 million, an increase from the 2026 Endorsed amount of \$21.3 million.

**Short-Term Rental Tax Fund.** Effective January 1, 2019, the State legislature authorized the public facilities district that is the Washington State Trade and Convention Center to impose a 7% tax on the sale of or charge made for the furnishing of lodging (including but not limited to any short-term rental). Beginning in 2020 these revenues and associated expenditures were moved from the General Fund to the Short-Term Rental Tax Fund in the City's accounting system. In both 2025 and 2026, revenues have been revised down from the Adopted and Endorsed to \$11.9 million and \$12.9 million, respectively, owing to less growth than anticipated in the first half of 2025 and a weaker tourism outlook in 2026.

**Transportation Fund - Commercial Parking Tax.** Commercial parking tax is a 14.5% rate levied on the parking fee that drivers pay to park in the City's commercial parking lots. The 2025 and 2026 forecasts

were each revised down by about \$4 million to \$50.2 million and \$50.5 million, respectively, dampened by slower growth anticipated in the leisure and hospitality sector.

**JumpStart Payroll Expense Tax Fund.** For 2025, the City's Payroll Expense Tax applies to those businesses with a total 2024 payroll expense in Seattle of at least \$8,837,302, and at least one employee with a 2025 annual compensation of \$189,371 or higher. Specific tax rates vary with the level of individual employee's compensation and a company's total Seattle payroll.<sup>3</sup> The Payroll Expense Tax was first imposed in 2021, with the first payments made in January 2022. Total 2021 tax obligations reached about \$293 million, but fell to \$253 million in 2022, before growing to \$313 million in 2023, and then further rising to \$351 million in 2024 in large part due to higher tax rates imposed in 2024. The revised forecast for 2025 revenues is \$382.9 million, \$57.6 million lower than the 2025 Adopted due to lower than expected revenues in 2024 and higher economic uncertainty weighing down stock prices. The 2026 Proposed Budget anticipates \$388.0 million in revenues, \$78 million less than the 2026 Endorsed Budget.

Though the City's experience with this tax is limited, it suggests that for several reasons the Payroll Expense Tax will be more volatile year to year and more complicated to forecast than other similarly sized revenues streams (property tax, sales tax, and business and occupation tax). About 70% of the revenues from this tax are paid by only 10 companies, most of them in the technology sector. The slowdown in this sector accompanied by layoffs and falling stock values led to a sharp drop in tax obligations in 2022 since stock grants represent a notable share of total compensation for technology workers. The strong bounce back of stock prices in 2023 and 2024 helped offset the effect of tech sector job losses on Payroll Expense Tax revenues.

However, while tech stock prices soared in 2024, with Amazon growing 52.1%, Google 38.3%, and Meta 95.2%, Payroll Expense Tax revenues grew only 12.1% in 2024. This is strikingly low given that higher tax rates accounted for 6.5% of that growth. In addition to the stock market, business decisions made by a small number of companies about where they create and allocate jobs also significantly affect Payroll Expense Tax revenues. Amazon added nearly 12,000 employees in Bellevue between 2020 and 2024, while its reported headcount in Seattle dropped by about 10,000 over the same period. In 2024, Meta moved out of two buildings in Seattle's South Lake Union that have space for about 2,000 employees while it added roughly the same number to its headcount in Bellevue. The volatility due to a narrow tax base and dependence on the decisions of a small number of taxpayers and stock price movements will be important risks going forward.

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<sup>3</sup> Initial tax rates varied from 0.7% to 2.4%, starting from 2024 tax year they increased by approximately a factor of 1.065 and range from 0.746% to 2.557%. For more details see <https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax>.

## Seattle City Tax Rates

	2021	2022	2023	2024	2025
<b>Property Taxes (per \$1,000 Assessed Value)</b>					
General Property Tax	1.16	1.14	1.06	1.11	1.04
Families & Education	0.34	0.32	0.29	0.30	0.35
Low Income Housing	0.16	0.15	0.14	0.47	0.48
Transportation	0.38	0.37	0.33	0.34	0.63
Library	0.12	0.11	0.10	0.11	0.12
Election Vouchers	0.01	0.01	0.01	0.01	0.02
City Excess GO Bond	0.09	0.06	0.05	0.05	0.05
<b>Other Property Taxes related to the City</b>					
Seattle Park District	0.21	0.20	0.39	0.41	0.43
Emergency Medical Services	0.26	0.25	0.21	0.23	0.22
<b>Retail Sales and Use Tax</b>					
	0.85%	0.85%	0.85%	0.85%	0.85%
<b>Transportation Benefit District Sales and Use Tax</b>					
	0.15%	0.15%	0.15%	0.15%	0.15%
<b>Business and Occupation Tax</b>					
Retail/Wholesale	0.222%	0.222%	0.222%	0.222%	0.222%
Manufacturing/Extracting	0.222%	0.222%	0.222%	0.222%	0.222%
Printing/Publishing	0.222%	0.222%	0.222%	0.222%	0.222%
Service, other	0.427%	0.427%	0.427%	0.427%	0.427%
<b>City of Seattle Public Utility Business Taxes</b>					
City Light	6.00%	6.00%	6.00%	6.00%	6.00%
City Water	15.54%	15.54%	15.54%	15.54%	15.54%
City Drainage	11.50%	11.50%	11.50%	11.50%	11.50%
City Wastewater	12.00%	12.00%	12.00%	12.00%	12.00%
City Solid Waste	14.20%	14.20%	14.20%	14.20%	14.20%
<b>City of Seattle Private Utility B&amp;O Tax Rates</b>					
Cable Communications (not franchise fee)	10.00%	10.00%	10.00%	10.00%	10.00%
Telephone	6.00%	6.00%	6.00%	6.00%	6.00%
Natural Gas	6.00%	6.00%	6.00%	6.00%	6.00%
Steam	6.00%	6.00%	6.00%	6.00%	6.00%
Commercial Solid Waste	14.20%	14.20%	14.20%	14.20%	14.20%
<b>Other Taxes</b>					
Admissions	5.00%	5.00%	5.00%	5.00%	5.00%
Amusement Games (less prizes)	2.00%	2.00%	2.00%	2.00%	2.00%
Bingo (less prizes)	10.00%	10.00%	10.00%	10.00%	0.00%
Punchcards/Pulltabs	5.00%	5.00%	5.00%	5.00%	5.00%
Cable Franchise Fee	4.40%	4.40%	4.40%	4.40%	4.40%
Firearms Tax (Dollars per weapon)	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Ammunition Tax (Dollars per round)	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Sweetened Beverage Tax (Dollars per fluid ounce)	\$0.0175	\$0.0175	\$0.0175	\$0.0175	\$0.0175