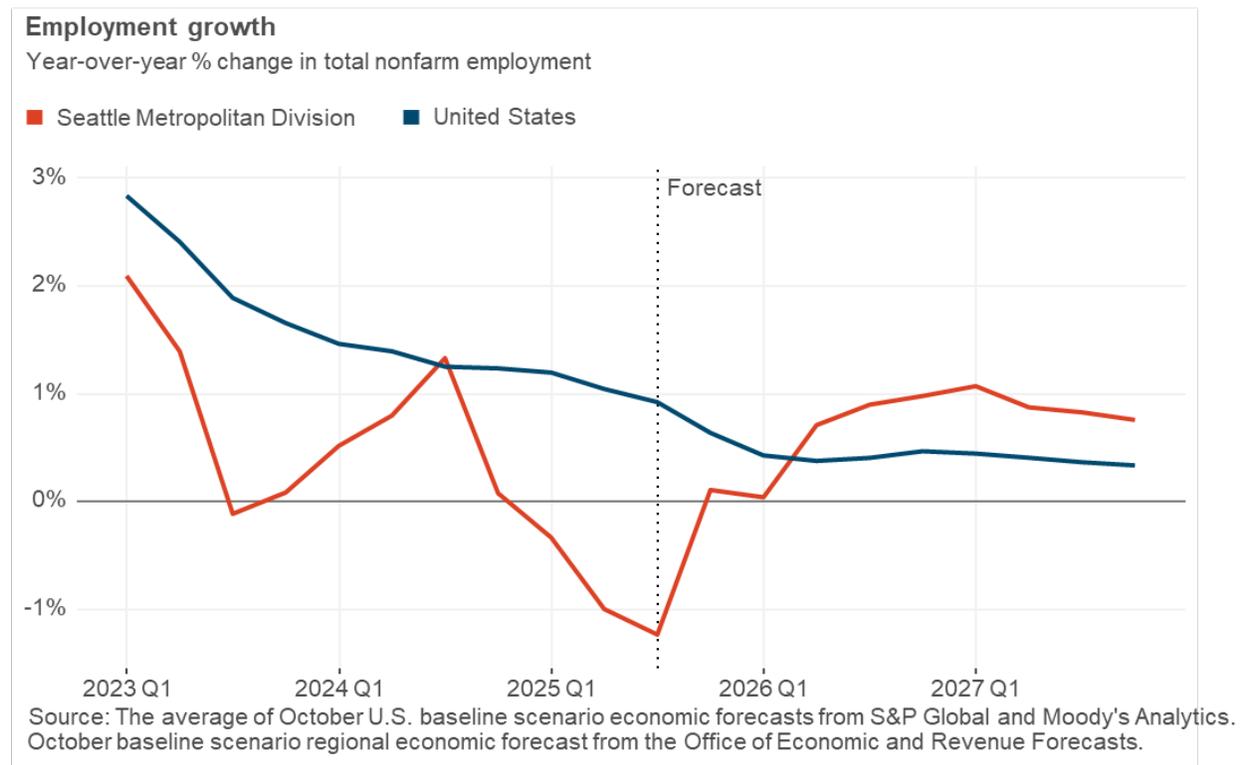


## General Fund Revenue Overview

### National Economic Conditions and Outlook

Tariffs announced in April 2025 have resulted in a dramatic increase in policy and economic uncertainty. They were largely expected to lead to slower economic activity and higher inflation, but the uncertainty regarding the details of trade policy changes, the response of households and businesses, and the overall economic impacts put the Federal Reserve on hold with monetary easing. The Fed instead kept its rate in the 4.25% to 4.5% range for the first eight months of 2025. While the labor market has cooled down rather noticeably since April 2025, the tariff hikes have so far not led to the significant increase in inflation that economists were expecting. Addressing the shift in the balance of risks, the Fed resumed monetary easing in September 2025 by lowering the rate by 0.25%. At least one additional interest rate cut was expected in the November or December meeting.

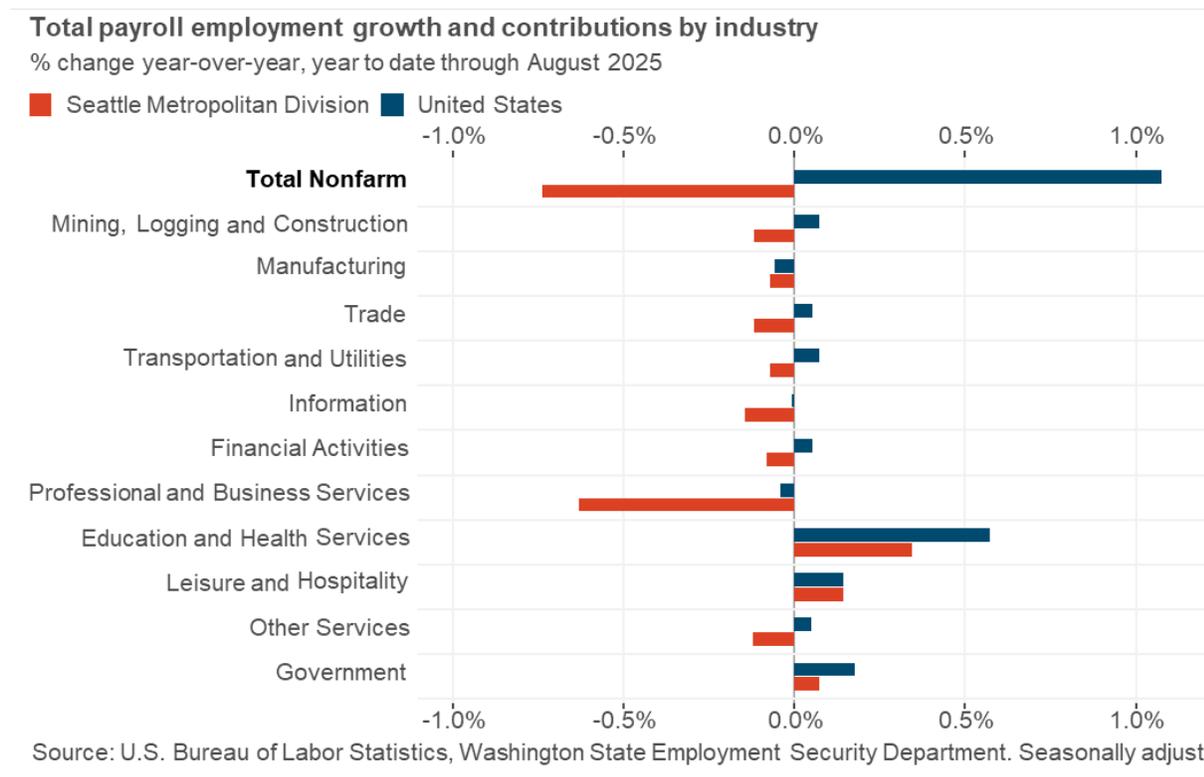
The October revenue forecast presented below as well as the underlying regional economic forecast are based on the average of the national economic forecasts from S&P Global and Moody's Analytics released in early October. Despite the still notably elevated risks of a recession, most economists expect 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 October forecast for the U.S. expected only modest job growth in 2025 and 2026.



## 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 September 2025, which revised regional employment down going back to October 2024, employment declined about 0.7% year-over-year in the first eight months of 2025 while U.S. employment grew 1.1% during the same period. However, most of the growth in U.S. employment occurred before April. Since then, the large increase in economic uncertainty due to tariffs and the implications of wider AI adoption has led to a significant drop in hiring.

Beyond the economic uncertainty, there are several factors that have negatively affected the region’s recent economic performance. 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 in early 2025. 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. Regional employment in Trade, Information and Professional and Business Services – sectors where a number of regional tech companies operate – declined by 47,000 between June 2022 and August 2025, approximately 2.7% of total regional employment.



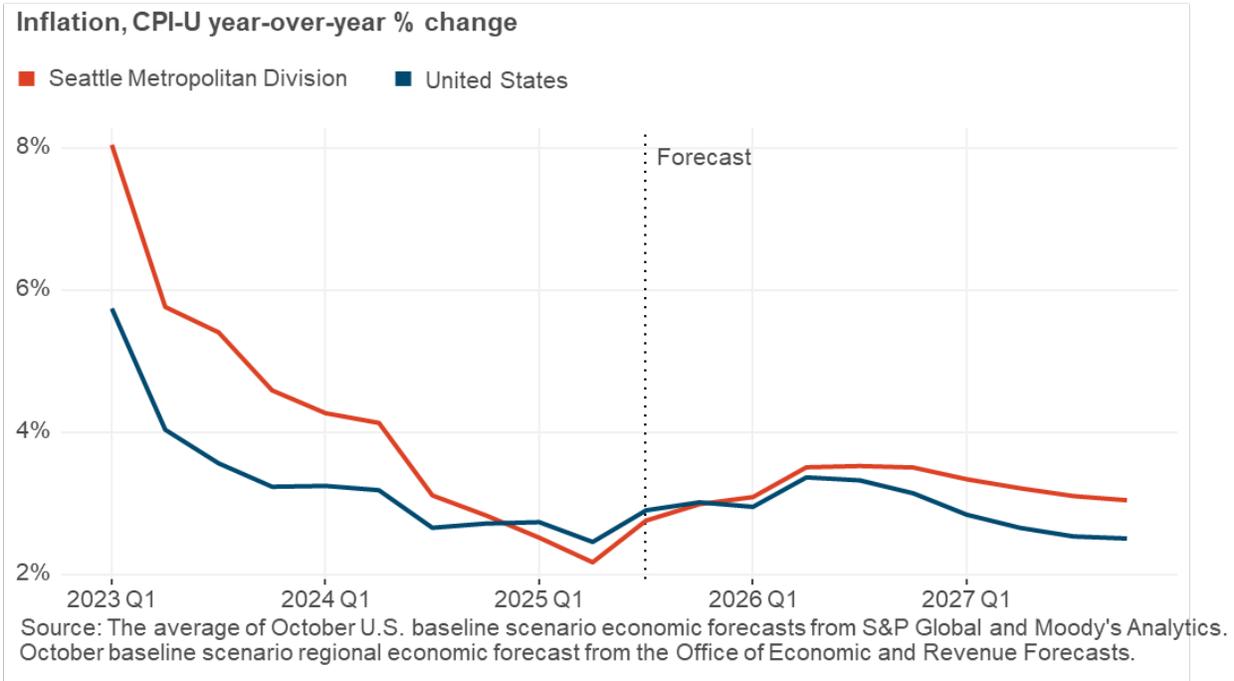
The regional economic forecast prepared by the Office of Economic and Revenue Forecasts in October 2025<sup>1</sup> projects that regional employment will decline by 0.6% in 2025 and grow only 0.7% in 2026. This

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

reflects the uncertain economic outlook, the overall slowdown in hiring, as well as the downward revision in year-to-date job growth by the ESD and the underlying employment composition by industry.

While most of the uncertainty and downside economic risks are with regard to the path of the labor market, tariffs have also added uncertainty to the inflation outlook. In the first half of 2025, 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. Both national and Seattle area inflation rates were notably lower than the forecasts from March, which anticipated tariffs to quickly affect prices and result in a sharp spike in inflation. The actual tariff pass-through has been more gradual as uncertainty about the ultimate level of tariffs motivated many companies to use stockpiled inventories and absorb most of the cost, lowering their profit margins instead of increasing prices. A softening in the regional residential rental market and slower rent growth, as well as weaker consumer demand due to a cooling labor market further contributed to the disinflation.

However, inflation is expected to rise 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 is expected to rise slightly in the second half of 2025 and first half of 2026. 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 2.7%.<sup>2</sup> But in 2026, regional inflation is expected to increase to 3.4% as companies are expected to continue with a gradual passthrough of higher costs due to tariffs and as the fiscal stimulus from H.R. 1 boosts consumer demand by increasing after-tax income for a large share of households.



<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 persistent vulnerabilities in the Seattle region's economy, several city policy changes will result in additional revenues in 2026. As the table below shows, General Fund revenues are revised to \$1,972.9 million in 2025, up \$36.6 million (1.9%) from 2025 Adopted revenues, and to \$2,019.2 million in 2026, up \$61.0 million (3.1%) 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 changes will generate additional revenues: voters approved changes to the B&O tax in November; and the City Council approved an increment to the sales and use tax in October. Council changes to 2026 also include an \$11.3 million increase in the transfer from the JumpStart Payroll Expense Tax Fund and a \$2.1 million increase from parking fines, which are in addition to the October forecast that was approved by the City's Economic and Revenue Forecast Council on October 20, 2025.

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

<b>Revenue</b>	<b>2024 Actuals</b>	<b>2025 Adopted</b>	<b>2026 Endorsed</b>	<b>2025 Revised</b>	<b>2026 Adopted</b>
Property Tax	312,103	324,502	324,857	324,099	327,326
Property Tax - Medic One Levy	66,873	63,788	78,153	65,123	75,158
<b>Property Tax Total</b>	<b>378,975</b>	<b>388,290</b>	<b>403,010</b>	<b>389,222</b>	<b>402,485</b>
Sales & Use Tax	312,262	315,620	322,024	315,882	332,557
Sales & Use Tax - Criminal Justice	28,130	28,373	28,954	28,537	69,296
<b>Sales &amp; Use Tax Total</b>	<b>340,392</b>	<b>343,993</b>	<b>350,978</b>	<b>344,419</b>	<b>401,853</b>
<b>Business &amp; Occupation Tax</b>	<b>353,343</b>	<b>369,454</b>	<b>394,550</b>	<b>385,013</b>	<b>479,063</b>
<b>Payroll Expense Tax</b>	<b>-429</b>	<b>0</b>	<b>0</b>	<b>939</b>	<b>0</b>
Utilities Business Tax - Private Utilities	40,454	34,503	32,995	40,810	40,219
<b>Utility Tax - Private Total</b>	<b>40,454</b>	<b>34,503</b>	<b>32,995</b>	<b>40,810</b>	<b>40,219</b>
Tonnage Tax	7,178	5,521	5,703	5,865	5,930
Utilities Business Tax - City Light	74,324	70,580	72,255	71,747	72,548
Utilities Business Tax - City SWU	26,576	27,546	28,455	28,639	29,007
Utilities Business Tax - City Water	40,709	38,740	39,547	39,359	39,379
Utilities Business Tax - Drainage/Waste Water	68,881	72,560	76,593	71,788	75,891
<b>Utility Tax - Public Total</b>	<b>217,668</b>	<b>214,947</b>	<b>222,553</b>	<b>217,397</b>	<b>222,755</b>
Firearms & Ammunition Tax	85	100	100	68	88
Gambling Tax	511	0	325	443	308
Leasehold Excise Tax	9,278	7,885	8,001	7,823	8,058
Pleasure Boat Tax	124	130	130	130	130
Transportation Network Company Tax	5,169	5,664	5,772	5,255	5,502
<b>Other City Taxes Total</b>	<b>15,167</b>	<b>13,778</b>	<b>14,329</b>	<b>13,719</b>	<b>14,086</b>
Meter Hood Service	3,965	4,400	4,400	3,294	3,438
Parking Meters	35,227	36,342	38,456	33,540	32,168
<b>Parking Meters Total</b>	<b>39,192</b>	<b>40,742</b>	<b>42,856</b>	<b>36,834</b>	<b>35,606</b>
Adult Probation and Parole	1	0	0	0	0
Court Fees & Charges	1,093	528	478	627	558
Court Fines	17,272	24,753	23,584	21,955	24,114
<b>Court Fines Total</b>	<b>18,366</b>	<b>25,281</b>	<b>24,062</b>	<b>22,582</b>	<b>24,672</b>
Criminal Justice Assistance	5,814	5,371	5,578	6,631	6,425
E-911 Reimbursements & Cellular Tax Revenue	718	1,004	1,004	1,004	1,077
Liquor Board Profits	5,882	5,996	6,061	5,947	6,019
Liquor Excise Tax	5,374	5,341	5,480	5,260	5,324
Marijuana Excise Tax	1,463	2,108	2,267	1,791	1,828
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>20,539</b>	<b>20,783</b>	<b>20,823</b>

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

<b>Revenue</b>	<b>2024 Actuals</b>	<b>2025 Adopted</b>	<b>2026 Endorsed</b>	<b>2025 Revised</b>	<b>2026 Adopted</b>
Federal Direct Grants	8,169	3,992	3,992	27,399	3,492
Federal Indirect Grants	4,189	2,690	2,690	12,529	1,814
Other Grants	850	554	554	1,808	554
State and Local Grants	8,679	7,489	7,471	17,456	7,471
<b>Grants Total</b>	<b>21,887</b>	<b>14,724</b>	<b>14,706</b>	<b>59,193</b>	<b>13,330</b>
Transfer from - Other Fund	21,667	434	458	1,158	652
Transfer from - Payroll Expense Tax Fund	91,354	314,535	275,366	280,535	211,212
<b>Fund Balance Transfers Total</b>	<b>113,021</b>	<b>314,969</b>	<b>275,824</b>	<b>281,693</b>	<b>211,864</b>
Cost Allocations & Administrative Charges	33,196	34,146	35,686	36,366	35,847
Legal Services	4,349	3,067	3,158	3,230	1,689
Other Proceeds	831	89	0	0	0
Personnel Service Charges	33,422	34,032	90	111	15
Public Safety Enforcement	12,155	10,034	35,455	28,852	30,018
Sales Proceeds	37	0	10,436	15,680	11,143
Use Charges	122	225	225	204	162
<b>Service Charges &amp; Reimbursements Total</b>	<b>84,111</b>	<b>81,594</b>	<b>85,051</b>	<b>84,443</b>	<b>78,873</b>
Animal Shelter Licenses & Fees	2,446	2,587	2,617	2,610	2,629
Business License Fees	21,255	20,751	21,344	21,628	21,891
Emergency Alarm Fees	849	514	514	434	434
Fire Permits & Fees	7,225	9,482	9,496	8,965	8,979
Interest on Investments	19,447	19,531	18,749	16,460	15,043
Miscellaneous Revenue	9,148	7,607	7,468	12,407	8,122
Other Business Licenses, Permits, & Fees	7,047	8,146	10,671	7,609	10,429
Other Interest Earnings	1,405	900	800	1,129	963
Private Contributions & Donations	0	0	0	149	0
Professional & Occupational Licenses	4,068	3,763	4,316	3,748	4,298
Street Use Permits	715	760	760	729	768
<b>Licenses, Permits, Interest Income and Other Total</b>	<b>73,606</b>	<b>74,041</b>	<b>76,735</b>	<b>75,865</b>	<b>73,554</b>
<b>Total General Fund</b>	<b>1,715,154</b>	<b>1,936,286</b>	<b>1,958,189</b>	<b>1,972,913</b>	<b>2,019,184</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 and uncertainty around the long-term demand for office space, but are expected to start growing at a modest pace. 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, but show signs of improvement. Given these developments, 2026 Adopted revenues from the general expense property tax have been revised to \$327.3 million, up \$2.5 million compared to the 2026 Endorsed. 2025 revised revenues have not materially changed from the 2025 Adopted forecast.

**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 total 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 2025 Adopted forecast owing to slightly slower AV growth for the county and faster AV growth for the city than was expected. However, the 2026 Adopted Budget includes revenues of \$75.2 million, \$2.9 million lower than the 2026 Endorsed forecast 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 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 1.2% growth in sales tax revenues in 2025. This is expected to be followed by 16.7% growth in 2026 as interest rates decline and sales tax revenues are further boosted by the State Legislature's passage of Engrossed Substitute Senate Bill 5814, which expands the list of services subject to the sales tax, and by the sales tax increment of 0.1% for criminal justice investments, approved by City Council in October 2025. Altogether, 2026 Adopted sales tax revenues are \$50.9 million higher than in the 2026 Endorsed Budget.

**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. But while sales tax and B&O tax tend to move together, the tax base for B&O tax is more diversified, with the construction and trade sectors taking up smaller shares, while information, financial activities, and professional and businesses services sectors play a more important role. B&O tax revenues are 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. This reduction is nevertheless more than offset by the city's voter-approved B&O restructure, which increased the tax threshold to \$2 million and introduced a \$2 million standard deduction, while also increasing tax rates across all classifications by a factor of 1.54. As a result, B&O tax revenues are forecast to be \$84.5 million higher in the 2026 Adopted Budget than in the 2026 Endorsed Budget.

**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 significantly improved, garnering an additional \$5.5 million

in 2025 revenues when compared to the 2025 Adopted, and \$7.2 million for 2026 Adopted revenues when compared with the 2026 Endorsed. This adjustment reflects three 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. Three, a large sum of late payments for telephone tax revenues in 2025 further strengthens the outlook for 2026 and beyond. In total, private utility tax revenues are projected to reach \$40.8 million in 2025 and \$40.2 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 2025 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 from the 2025 Adopted 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 sluggish. The forecast for both 2025 and 2026 has been revised down marginally relative to 2025 Adopted levels, to \$5.3 million and \$5.5 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 and meter hooding fees is forecast to be \$36.8 million in 2025 and \$35.6 million in 2026. The 2025 revised forecast has declined \$3.9 million (-9.6%) from the 2025 Adopted Budget, and the 2026 Adopted forecast has declined \$7.2 million (-16.9%) from 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 at any given time. Each cycle, changes are a mix of increases and decreases citywide, but recent changes have represented a decrease in average parking rates. Also contributing to the decline has been a slow but steady drop in parking transactions in recent years and in fees being paid for meter hooding. The reason for declining transactions is difficult to identify but may be due to increasing scofflaw (non-payment). The downward revision to meter hooding fees is likely the result of less construction activity that requires blocking metered spaces.

**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 \$22.6 million in both 2025 and 2026. Revisions to the 2025 forecast show a decrease of \$1.5 million (-6.3%) relative to the 2025 Adopted and 2026 Adopted revenues now show a decrease of \$1.5 million (-6.2%) relative to the 2026 Endorsed. The reduction is mostly attributable to lower-than-expected red-light camera citations in 2024 and 2025, as well as a permanent reallocation of total red-light camera revenues (from 20% to 30%) to the Automated Traffic Safety Camera (ATSC) Fund as required by City ordinance passed in May of 2025. 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 revised 2025 forecast for grant revenues of \$59.2 million includes grants carried forward from 2024 that have not been spent down. The 2026 Proposed forecast is \$13.3 million, down by \$1.4 million from the 2026 Endorsed.

**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 \$64 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 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. 2025 revenues have been revised up to \$84.4 million. 2026 Adopted revenues have been revised down compared to the 2026 Endorsed, to \$78.9 million, 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 business revenues. For 2025, revenues from the sales of business licenses were revised up \$0.9 million compared to the 2025 Adopted Budget and \$0.5 million for 2026 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 \$16.4 million, down from the \$19.5 million in the 2025 Adopted Budget. For 2026, the revised estimate is \$15.0 million, down from \$18.7 million in the 2026 Endorsed Budget. Interest rates are now expected to decrease further in the last half of 2026, leading to lower returns on City holdings.

## **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 which 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. The Federal Reserve lowered its interest rate from the 4.25% - 5.5% range in August 2024 to 3.5%-3.75% in December 2025. However, long term interest rates have remained high, with the average 30-year mortgage rate around 6.2% in December 2025, limiting both the demand and supply of homes for sale. REET revenues increased to \$62.7 million in 2024 and are expected to grow to \$69.6 million in 2025, up from the \$66.5 million in the 2025 Adopted Budget. For the 2026 Adopted Budget, the forecast anticipates \$76.1 million, down from the \$85.7 million in the 2026 Endorsed Budget.

**Arts and Culture Fund - Admission Tax.** Admission tax revenue is expected to be \$23.9 million for 2025, down \$2.6 million from the forecast for 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 October 2024.

**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 when annual revenue dropped to \$15.6 million. Revenues in 2024 came in at \$20 million and the revised forecast for 2025 anticipates similar collections. Adopted revenues for 2026 are now \$22.3 million, a small increase from the 2026 Endorsed estimate of \$21.4 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 \$12.1 million and \$12.5 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.** The City's 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 revised down to \$50.3 million and \$52.1 million, respectively, dampened by slower growth anticipated in the leisure and hospitality sector.

**JumpStart Payroll Expense Tax Fund.** For 2026, the City's Payroll Expense Tax applies to those businesses with a total 2025 payroll expense in Seattle of at least \$9,074,490, and at least one employee with a 2026 annual compensation of \$194,452 or higher. Specific tax rates vary with the level of individual employees' 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 \$297 million, but fell to \$266 million in 2022 before growing to \$315 million in 2023, and then further rising to \$359 million in 2024, in large part due to higher tax rates imposed in 2024. The revised forecast for 2025 revenues is \$385.4 million, \$55.1 million lower than the 2025 Adopted forecast due to lower-than-expected revenues in 2024 and higher economic uncertainty weighing down stock prices, which affect the stock grants that make up a portion of total employee compensation on which the tax is assessed. The 2026 Adopted Budget anticipates \$392.7 million in revenues, \$73.3 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 revenue streams (property tax, sales tax, and business and occupation tax). First, the number of taxpayers is quite low; about 530 taxpayers paid the tax in 2021 and only about 500 in 2024. In addition, about 70% of the revenues from this tax are paid by only 10 companies, most of them in the technology sector. As a result, the 2022 correction in this sector accompanied by layoffs and falling stock values led to a sharp drop in tax obligations 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 obligations grew only 13.9% in 2024. This is strikingly low given that higher tax rates accounted for 6.5% of that growth and that total wages paid by the main taxpayers to employees earning more than the annual compensation threshold for this tax grew by more than 30% in King County.

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 adding 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 fundamental risks for this revenue stream 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