



May 3, 2018

The Honorable Bruce Harrell, Council President
Seattle City Council
City Hall
Seattle, WA 98104

Dear Council President Harrell and members of the City Council:

On behalf of National Taxpayers Union (NTU) and our members across Seattle, I write to express our opposition to CB 119244, a proposal to reinstate Seattle's Employee Hours Tax (EHT). This legislation that the City Council will vote on in the coming weeks would deal great harm to Seattle's economy, its competitiveness, and its workers. For these reasons we urge the City Council to vote down this dangerous measure.

CB 119244 would tax over 500 businesses that gross at least \$20 million per year to finance new housing affordability initiatives. It would tax these companies 26 cents per employee per hour, which equates to about \$540 per employee per year in added costs. This economically illogical proposal is 22 times higher than the EHT that was repealed back in 2009, which cost businesses a flat \$25 per employee per year. Estimates indicate this targeted tax will generate about \$150 million in revenue over the next 2 years before it shifts into a payroll tax for which employers are still liable.

Proponents argue that successful companies need to start "paying their fair share," yet they ignore the fact that the City of Seattle has been one of the largest beneficiaries of increased revenue brought in from a booming economy. Seattle's emblematic companies like Amazon, Starbucks, and Nordstrom have spurred unprecedented economic growth, job creation and revitalization of communities in Seattle proper, as well as the surrounding areas. However, targeted taxes on a select few successful businesses could undo much of the progress made. Rather than penalizing prosperity, successful businesses should be praised for their continued investment and commitment to the City and its residents.

The EHT would disproportionately impact Seattle's technology sector, and the City would be shooting itself in the foot by raising taxes on one of its most important industries. As Amazon's decision to open a second headquarters indicates, technology companies don't necessarily need to be located in Seattle. A higher tax could be a catalyst for some firms to relocate just outside the city boundaries or uproot from Washington state completely. If such a scenario happens Seattle will be left worse off.

While you do your due diligence and weigh the costs and benefits of enacting this tax, we sincerely hope that you carefully consider the long-term implications, both intended and unintended, of this proposal and what it means for taxpayers, employees, employers, as well as the economic and fiscal climate in Seattle. Thank you

for considering our comments as you debate this proposal. Should you need any further information or taxpayer perspectives, please consider NTU a resource.

Sincerely,

Thomas Aiello
Policy and Government Affairs Associate

CC: Mayor Jenny Durkan