



City Council

Discussion of a Draft Ordinance Creating a Graduated Income Tax on Wage Earners in the City of Olympia

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Type: decision **Version:** 1 **Status:** Passed

Title

Discussion of a Draft Ordinance Creating a Graduated Income Tax on Wage Earners in the City of Olympia

Recommended Action

Committee Recommendation:

N/A

City Manager Recommendation:

Provide feedback on the draft ordinance imposing a graduated income tax on wage earners in the City of Olympia.

Report

Issue:

Whether to move forward with a substitute income tax ordinance for the City.

Staff Contact:

Steve Hall, City Manager, 360.753.8244

Presenters:

Steve Hall, City Manager
Jane Kirkemo, Administrative Services Director
Mark Barber, City Attorney

Background and Analysis:

Background: In April, the City was notified of a potential initiative to apply a 1.5% income tax on Olympia residents with a household income exceeding \$200,000 for the purpose of assisting in the cost of community or technical college. Although not officially received by the City, staff and Council received a draft of the proposed City of Olympia income tax initiative.

On April 17, the Council held a study session to discuss some of the legal issues associated with the potential initiative. The City's outside legal counsel, Hugh Spitzer, identified several legal and

constitutional challenges to the proposed initiative.

On May 17, City staff presented an analysis of the initiative from an administrative and cost perspective. Staff identified a number of inconsistencies, flaws and apparent omissions. In addition, the initiative did not provide sufficient funds to properly administer the funds.

At the conclusion of the May 17 presentation, the City Council passed - on a 4 - 3 vote, a motion to direct City staff to prepare an alternative ordinance (attached).

Analysis: Staff has prepared a draft ordinance and will walk through the changes made to address some of the legal and administrative faults of the original initiative ordinance. While staff has made a number of changes to improve the administrative aspects of the draft, there is little that can be changed to affect the legal challenges inherent in the proposal.

Staff is drafting a graduated income tax table which will illustrate the level of taxation to be imposed to generate approximately \$2.5M in net proceeds for administration of the program (this table will be provided at the meeting).

Neighborhood/Community Interests:

N/A

Options:

1. Move the draft ordinance forward for adoption.
2. Substitute Ordinance to Impose a Tax on Olympia Residents for Certain Unearned IncomeDraft Ordinance with Mark Up by Mayor Pro Tem 6-14-16
3. Amend the draft ordinance.
4. Decide not to craft a substitute ordinance and allow the original initiative to move forward.

Financial impact:

The financial impact of the proposed initiative is undeterminable at this point.

Attachments:

Draft Ordinance

Draft Ordinance

Memo and Motion from Mayor Pro-Tem Jones

May 17 Administrative Challenges and Costs Presentation

Opportunity for Olympia Initiative Petition