



City Council

Approval of an Ordinance Imposing an Excise Tax on Certain Unearned Income of Residents in the City of Olympia

Agenda Date: 6/21/2016
Agenda Item Number: 6.B
File Number: 16-0778

Type: ordinance **Version:** 1 **Status:** Filed

Title

Approval of an Ordinance Imposing an Excise Tax on Certain Unearned Income of Residents in the City of Olympia

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Do not pass the substitute ordinance; instead allow the ordinance supported by the citizen petition to proceed to the ballot for voter consideration.

Report

Issue:

Whether to support a substitute excise tax ordinance to be imposed on residents of City.

Staff Contact:

Steve Hall, City Manager, 360.753.8244

Presenters:

Steve Hall, City Manager

Background and Analysis:

Background:

1. In April, the City of Olympia became aware of a petition drive to place a ballot item before voters that would impose an excise tax on household incomes in excess of \$200,000. Subsequent legal and administrative analysis determined significant challenges, inconsistencies and concerns.
2. On May 17, the City Council passed, on a 4 - 3 vote, a motion to direct City staff to prepare a substitute ordinance that changed the proposal to a graduated income tax on all Olympia households.
3. On June 14, the Council reviewed the graduated income tax ordinance. After discussion, the

Council, on a 4 - 3 vote, agreed to change the draft ordinance to a tax on unearned income.

Analysis: City staff lacks the expertise and time to provide reliable information on this topic. Tax law is extremely complex. Staff cannot advise the Council on who would be impacted, how much revenue would be generated or what rate to apply. While some administrative issues have been addressed in the latest ordinance, questions and concerns about tax collection, auditing, enforcement and distribution remain.

Neighborhood/Community Interests:

N/A

Options:

1. Adopt the draft ordinance on first reading.
2. Amend the ordinance.
3. Decide not to support 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. City staff has no reliable information about the amount of funds that might be generated by a tax on unearned income.

Attachments:

- Substitute Ordinance to Impose a Tax on Olympia Residents for Certain Unearned Income Draft Ordinance with Mark Up by Mayor Pro Tem 6-16-16