



FOR IMMEDIATE RELEASE: December 12, 2013

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RE: INITIATIVE FILED WITH CITY CLERK SETTING MINIMUM WAGE STANDARDS AND BUSINESS TAXES TO STIMULATE AND SUSTAIN THE SOCIAL AND ECONOMIC WELLBEING OF SEATTLE'S WORKERS AND BUSINESSES IN ORDER TO ENSURE THE VITALITY OF THE LOCAL ECONOMY

Summary of the Intent and Purpose of Initiative 104

AN ORDINANCE relating to the minimum wage and business taxes; adding a new section to Subchapter I of SMC 4.20; amending SMC 5.45.050; amending SMC 5.46.030; amending SMC 5.55.040; prescribing procedural and administrative processes, violations, remedies to violations, penalties; providing an effective date; and declaring an emergency.

The initiative would create a two tier system for the minimum wage based on two categories of employers. Category 1 employers would include the City of Seattle, big box retailers, large hospitality and transportation businesses, and sport and entertainment venues. Category 1 employers will be required to pay a \$15 per hour minimum wage to their employees. Category 1 employers with employees that are considered to be learners or apprentices, learners being employees age 16 and under to 20 years of age and who require a training period for their job, and apprentices being employees who are enrolled in a bona fide apprenticeship program, they would pay those individuals according to the following schedule – a set percentage of the \$15 per hour wage that increases over the course of their training periods, and then reach the full \$15 per hour minimum wage:

(i) Learner rates

Learner employees will be paid the following percentage of the Category 1 wage rate established in section (a) herein:

Age	% of weekly rate of pay
16 years of age and under	75
17 to 18 years of age	85
19 to 20 years of age	95

(ii) Apprentice rates for one to four year apprenticeships

1. The minimum wage rates of pay for apprentices completing a one to three-year apprenticeship are:

Year of apprenticeship	% of Category 1 Minimum Wage
1st year	75
2nd year	87.5
3rd year	100

2. The minimum wage rates of pay for apprentices completing a four-year apprenticeship are:

Year of apprenticeship	% of Category 1 Minimum Wage
1st year	75
2nd year	83.33
3rd year	91.66
4th year	100

Category 2 employers under the proposed ordinance would be all other employers not enumerated as a Category 1 employer. Under the initiative provisions, Category 2 employers in Seattle will be required to pay a \$1.35 more per hour over the Washington State minimum wage that will take effect on January 1, 2015. Given historical CPI trends it is projected that would set the minimum wage that Category 2 employers would pay at approximately \$10.80 per hour in Seattle. There would be no learner or apprentice class of employees working for Category 2 employers.

Further, the initiative has another provision intended to stimulate and sustain the economic environment for workers, Seattle's B&O taxes would be modified by the initiative. Historically, high B&O taxes restrict growth, pushing businesses to settle in nearby communities or regions where tax burdens are lower.

The two changes to the City of Seattle's B&O tax structure are first, beginning in January 2015, the threshold of gross annual receipts at which a business becomes subject to the taxes would be raised from \$100,000 to \$250,000. For every year after 2015 the threshold amount would be adjusted as follows, the tax rate for a year will be equal to the tax rate for the previous year increased (or decreased) by the percentage change in the annual Seattle-Tacoma-Bremerton, WA consumer price index for all urban consumers (CPI-U) for the previous year.

Secondly, there is a provision in the initiative that reduces the rates for both the City of Seattle's Business & Occupation taxes and for the City's Square Footage Business Tax. All rates for both business tax classes would be halved as follows:

B&O Tax:

EMPLOYER CLASSIFICATIONS	TAX RATES BY CLASSIFICATION:		
	Present	New Under Initiative	
Manufacturing and Processing for Hire	.00215 (.215%)	0.001075	0.1075%
Extracting	.00215 (.215%)	0.001075	0.1075%
Printing & publishing	.00215 (.215%)	0.001075	0.1075%
Wholesaling	.00215 (.215%)	0.001075	0.1075%
Retailing (including services)	.00215 (.215%)	0.001075	0.1075%
Service and other business activities	.00415 (.415%)	0.002075	0.2075%
Motor Carriers Transporting Freight for Hire	.00415 (.415%)	0.002075	0.2075%
Tour Operators	.00215 (.215%)	0.001075	0.1075%
International Investment Management Services	.00150 (.150%)	0.00075	0.0750%

Square Footage Business Tax:

The present quarterly tax rate of \$0.39 times the number of square feet of business floor space for each office or place of business leased, owned, occupied or otherwise maintained within the city would be reduced to \$0.195 quarterly, or \$0.78 annually; and the present quarterly tax rate of \$0.13 times the number

of square feet of other floor space for each office or place of business leased, owned, occupied or otherwise maintained within the city would be reduced to \$0.065 quarterly, or \$0.26 annually.

In the short term the tax rate changes may result in a decrease in city revenues, however the changes will create increased opportunity for businesses in Seattle and concomitantly create new jobs, sustain those that already exist, all accruing to the benefit of workers in Seattle. In the long term this will mean increased revenues for the City.

There is local precedence for this approach to business taxation in our region, Tacoma for example recently modified its business tax structures in order to become more business “friendly” which translates into more jobs, more vitality and sustainability in the economy.

Since taxes lower the economic welfare of citizens, an effort should be made to minimize the economic and social problems that taxation imposes. Citizens, employees, and businesses therefore gain the benefits of a low tax burden. These benefits can include:

- Increased economic growth – A tax system that allows employees to keep more of what they earn spurs increased work, savings and investment.
- Greater wealth creation – Low taxes significantly boost the value of all income-producing assets and help citizens maximize their fullest economic potential, thereby broadening the tax base.ⁱⁱ

Sponsor’s Comments:

The City of Seattle’s “official” plan for the question of wage equity and economic sustainability is to convene a conference stacked with handpicked attendees, in order to *perhaps* craft a new minimum wage rate for Seattle.

However, this is more of the same approach that is typically taken in Seattle by the City and the entrenched business and private powerbrokers that align themselves with the City.

Time after time rather than taking action, including even acknowledging the need for action, City officials do what they are doing all the time, one more time: commission an expensive study, more time is gained with this gambit, propose and convene meetings, more time gained as it is determined who should be allowed a seat at the table, where the table should be even, contracting with consultants to line up the framework and elements that even can be discussed at meetings, contract with consultants to manage the meetings and the participants, hold the meetings, time then for the City to predigest and regurgitate its own conclusions about the meetings, all with no assurance that anything, an action will come out of the meetings; or if one does – it will squarely be something that is more in the City of Seattle’s and its elite set of insiders’ interests than not.

All of this serves to defuse and dissipate the issue. It allows City officials and their supporters to gain time and advantage over the proponents of the minimum wage and business tax reform movement, and provides a platform for members of the City-backed alliance to claim they are doing something about this matter when the opposite stands to be true.

Therefore, the sponsors of the initiative believe it is in the best interests of workers, employers, and the public to put the matter up for a vote. An initiative will advance the question of wage equity, economic sustainability in a timely and efficient matter, establish that it will absolutely be something that can be decided upon by the public within a relatively short period; and if passed, it will provide the greatest relief for the largest number of people within the shortest period of time.

To proceed otherwise means that the worker and employer interests in Seattle will just end up one more time being held captive, in the thrall of another one of these faux outreach and deliberative efforts that the City of Seattle notoriously and cynically engages in.

ⁱ City Clerk and City Attorney are in the process of reviewing the form of the petition and preparing a title for it. For more information on this process see [Clerk's Initiative Procedures](#)

ⁱⁱ Mercier, Jason. "Principles of a good tax system: Presentation to the Washington State House Finance Committee." Center for Government Reform, Washington Policy Center. October 7, 2013.
<https://www.washingtonpolicy.org/sites/default/files/tax%20principles.pdf>