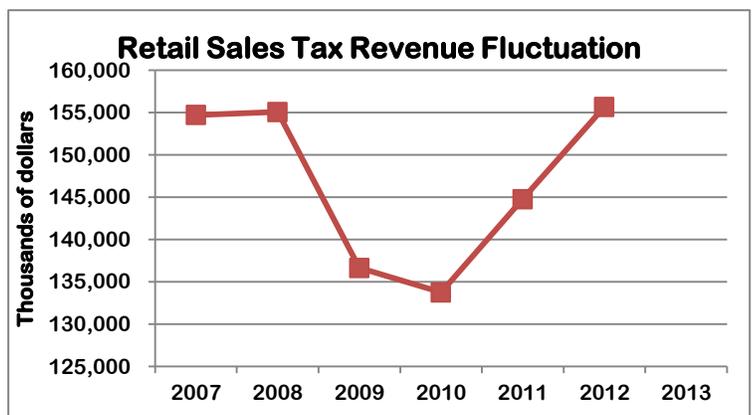
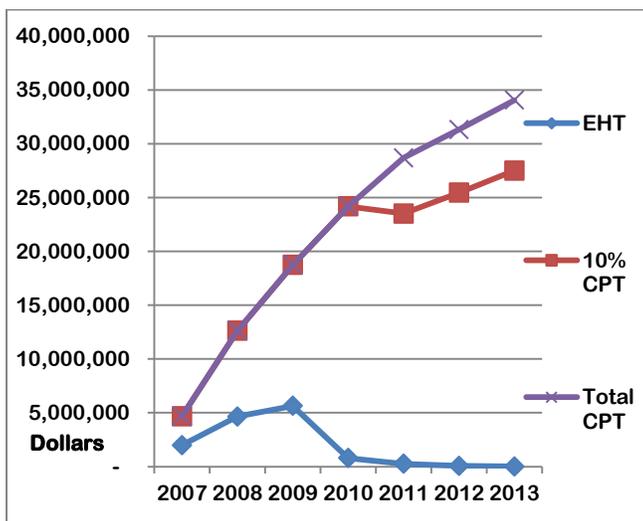


# Sales Tax vs. Employee Hours Tax + CPT

Prepared for Finance and Culture Committee, July 9, 2014

## 1. Raising the sales tax is an unreliable funding solution

- ✓ The sales tax is highly variable based upon the economy; macroeconomic recessions can cause budget disaster
- ✓ In 2008, the City raised \$155,059,000 in retail sales tax. In 2009, that dropped to \$136.6 million, and in 2010 it was \$133.7 million. Only by 2012 did revenue from the retail sales again exceed \$155 million.
- ✓ **Decreased sales tax revenue due to the recession is the reason Metro needs more money in the first place.** In 2009 alone, Metro faced over \$58 million in cuts due to reduced revenues.<sup>1</sup>
- ✓ By contrast, CPT revenues have consistently grown since it was first implemented in 2007, as did employee hours tax revenues prior to its repeal in 2010.



## 2. Raising the sales tax is not germane to transit, as the employee hours tax and CPT increase proposals would be

- ✓ It is estimated that in 2012, approximately 20% of workers rode public transportation to work.<sup>2</sup> This amounts to approximately 72,000 riders.
- ✓ There is no direct correlation between the sales tax and transit; **however, businesses benefit directly from reliable transit within our city to get their employees to work.**
- ✓ Commercial parking has a direct relationship with transit; in 2012, it was estimated that 49% of workers in Seattle drove alone to work, and 8.5% carpooled.<sup>3</sup>

## 3. Raising the sales tax is further perpetuating a regressive tax system

- ✓ Washington has the most regressive tax system in the nation, and raising the sales tax, even slightly, will perpetuate that system
- ✓ By contrast, the employee hours tax is a modest transit funding proposal, pegging revenues to hours worked rather than to employment and averaging \$18 per full-time employee, per year. Alternatively, the hours tax amounts to wage increase of **less than one penny per employee per hour worked.**

<sup>1</sup> Keith Ervin, *Metro Transit facing \$58 million drop in sales-tax revenue*, Seattle Times, Feb. 17, 2009.

<sup>2</sup> 2012 U.S. Census American Community Survey 1-year estimate

<sup>3</sup> *Id.*