

Appendix C: Progressive Revenue Options

Local Estate Tax: Washington State levies a [progressive estate tax](#). Seattle should consider a local progressive estate tax, which could simply increase the existing state tax by some percentage such as 50%.

Taxes on exceptionally high compensation: In 2016 [Portland introduced a “Pay Ratio Surtax”](#) on public companies whose CEO-to-worker pay ratio exceeds 100-to-1. Seattle should consider a similar tax or fee. Seattle should also consider an excise tax on institutions (private, public, non-profit) for compensation in excess of a certain threshold to any individual employees. For example, how about the salary of the POTUS: \$400,000. The tax could be calculated as a percentage of any compensation in excess of that threshold, or it could be a flat fee per employee so compensated.

Raise the REET: On top of their Real Estate Transfer Tax, [New York City levies an additional “Mansion Tax”](#) of 1% on sales of residential property of \$1 million or more. Seattle should lobby the state legislature for new Real Estate Excise Tax authority, for example an additional 0.25% to 1.00%, with the option to apply this selectively to “luxury” (e.g. over \$1 million) or second home purchases. Seattle should also consider whether it is possible without new authority to apply a fee, rather than a tax, to property transfers over an amount such as \$1 million.

Other Progressive Property-Related Taxes: Seattle should consider ways to tax the following, lobbying the state legislature for new authority as needed:

- Speculative real estate investment activity
- Vacant or unoccupied properties
- Second homes

Housing Growth Fund: Seattle should consider creating a fund to be filled with an increment of property taxes associated with new construction. The intent would be to not impact programs and city services that the City currently funds with property tax revenue, but only earmark future revenue growth for this purpose. The fund would be used to pay back new bonds issued for the purpose of creating or preserving affordable housing. This is one of the HALA recommendations:

R.7 Reinstate the City Growth Fund

In 1985, City Council established a growth-related program to address the large amount of low-income housing being lost in Seattle’s downtown area due to redevelopment. The Growth Fund used a set formula to calculate the amount of funding generated from property tax revenues tied to new construction downtown and used that revenue to acquire and rehabilitate existing low-income housing that was at risk of being redeveloped and to develop new low-income housing. The program was eliminated in 2002. The City should reestablish a citywide Growth Fund that dedicates a portion of the property tax revenue tied to new construction to the production of affordable housing. The City should consider the impacts the scale of a growth fund could have on other critical general fund investments that relate to housing stability, including human services allocations.

It should be noted that property taxes are not progressive, so this is not strictly speaking a progressive revenue option; however, it would be a way of generating some new revenue for affordable housing without further raising property taxes.