



## Seattle approves income tax on wealthy, mayor cites Trump agenda

Brittany De Lea

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Washington is one of seven states that does not have a personal income tax, but this week one of its cities approved one on just its wealthiest residents.

Late Monday the Seattle City Council voted unanimously in favor of a personal income tax on its top earning residents. Individuals with incomes in excess of \$250,000 and those filing jointly with incomes in excess of \$500,000 would be subject to a 2.25% tariff. People with incomes below those thresholds would not be affected.

Seattle believes the tax will raise around \$140 million per year and could help close the wealth gap in the city, while the mayor also cited President Donald Trump's economic agenda as a reason to introduce the tax.

"Seattle is challenging this state's antiquated and unsustainable tax structure by passing a progressive income tax," Seattle Mayor Ed Murray said in a statement on his website. "Our goal is to replace our regressive tax system with a new formula for fairness, while ensuring Seattle stands up to President Trump's austere budget that cuts transportation, affordable housing, healthcare, and social services. This is a fight for economic stability, equity, and justice."

The measure was proposed earlier this year by a local activist group named Trump-Proof Seattle, according to Reuters. However, Trump-Proof Seattle's proposal called for a more modest 1.5% tax, according to the organization's website.

Due to the explosive growth of Seattle-based Amazon ([AMZN](#)), housing prices have skyrocketed in the area—and supporters believe the income tax could be used to expand affordable housing.

"Protecting our communities requires resources. We're in a weak position to cope with cuts because of Washington State's regressive tax system: lower-income households already pay high state and local taxes, and yet we can't fund basic services like education ... We can fight back by requiring the wealthiest households to pay a fairer share of taxes," Trump-Proof Seattle's site said.

However, critics say taxing high-earning entrepreneurs that have contributed to the entire nation's economy will be "counter-productive."

“You tax entrepreneurs more, you will get less entrepreneurs and less economic growth,” said Chris Edwards, director of tax policy studies at the Cato Institute, in an interview with FOX Business. “They will start gravitating to more business-friendly places such as Austin, Texas... high earners are [also] the most responsive to tax changes ... Both the government and economy will end up losing from tax hikes as the tax base and the economy shrink.”

Despite the city’s support, the measure will likely face legal challenges. State law prohibits a city or county from taxing “net” income, though it fails to explicitly define exactly what “net” refers to.

But regardless of whether the measure is blocked in court, Seattle has been a pioneer on many progressive issues, including raising the minimum wage, and it could pave the way for other cities to enact progressive tax structures.

“I think this is part of a trend,” David Madland, senior fellow at the Center for American Progress, told FOX Business. “Cities have done less of this so, I can imagine more and more cities will start to do things like this. The public is very supportive of raising taxes on the wealthy as a way to support public services.”

Supporters say the tax would impact just 20,000 out of more than 660,000 Seattle residents. In addition to Washington, Alaska, Florida, Nevada, South Dakota Texas and Wyoming do not require residents to pay an income tax.