



TO: Elizabeth Pauli, City Manager
FROM: Danielle Larson, Tax & License Manager, Finance
Andy Cherullo, Finance Director *AC*
COPY: City Council and City Clerk
SUBJECT: Ordinance – Title 6A Amendments – December 12, 2017
DATE: December 6, 2017

SUMMARY:

Finance Department staff were asked to look into establishing a new Job Credit targeted at hiring Tacoma residents. The proposed Job Credit would provide Tacoma businesses additional credit towards their local Business & Occupation (B&O) taxes. The new credit would apply when a new “qualifying employment position” as defined in Tacoma Municipal Code (TMC) 6A.30.065 is filled by an employee that resides in Tacoma.

COUNCIL SPONSORS:

Councilmember Lonergan

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City established the Job Credit in 1999 to encourage growth among existing business and to attract new businesses into Tacoma. The Job Credit was created as part of an incentive tax program to assist efforts in retaining and attracting business while not reducing revenue so severely that essential services would suffer.

A \$500 tax credit was established for every new permanent full-time position added to a workforce that pays at least a “family wage”. If the qualifying position provides international services and is located in a community empowerment zone as defined in RCW 43.31C.020 an additional \$250 is available. The credit is available for five consecutive calendar years and to remain eligible for the credit, a business must keep the new full-time permanent position for all five consecutive years.

ISSUE:

The City Council would like to encourage the creation of local employment opportunities for the residents of Tacoma. Providing an incentive to businesses to employ residents of Tacoma is a meaningful method of encouraging such opportunities.

Since 2001 a total of 2,833 new positions were created that qualify for the \$500 Job Credit.

A position that meets the criteria of TMC 6A.30.065 is considered a “qualifying employment position.” An additional tax credit is proposed in the amount of \$500 for positions that are considered “qualifying employment positions” and the employee filling the position is a resident of Tacoma. This would bring the potential credit amount available for one new position meeting all of the criteria to \$1,250 per year for five calendar years (see table below).



Year	# of New Positions	# of Credits Available to Use
2001	23	23
2002	44	67
2003	53	120
2004	372	492
2005	369	861
2006	299	1137
2007	346	1439
2008	232	1618
2009	161	1407
2010	120	1158
2011	124	983
2012	192	829
2013	143	740
2014	144	723
2015	90	693
2016	103	672
2017	18	498
Grand Total	2833	

Base Credit	\$500
- Full-time	
- Permanent	
- Pays Family Wage	
Additional Credit	\$250
- International Services	
- Empowerment Zone	
Proposed Credit	\$500
- Tacoma Resident	
Total	\$1,250

ALTERNATIVES:

The alternative would be to continue the current job credit program without adding an additional credit for positions filled by residents of Tacoma.

RECOMMENDATION:

Staff recommends amending TMC 6A.30.065 creating a new job credit in the amount of \$500, that local businesses can use against their City B&O taxes, for qualifying positions, created on January 1, 2018 or after, that are filled by residents of Tacoma.



FISCAL IMPACT:

The current Job Credit program costs the City approximately \$250,000 per year (based on 2016 data). The number of new positions that would qualify for the proposed additional job credit of \$500 when the employee is a resident of Tacoma is unknown. However, if every new position under the current program also qualified for the proposed additional \$500 tax credit (Tacoma resident), then the estimated costs would mirror the costs of the current Tax Credit program which would add approximately \$250,000 per year for a total cost of \$500,000 (\$250,000 current Job Credit + \$250,000 from the proposed Tacoma resident Job Credit). If 50% of the credits used towards City B&O taxes in 2016 had qualified for the additional \$500 credit, the fiscal impact would be approximately an additional \$125,000 per year.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
General Fund – B/O Tax Job Credit	106500	4316500	(\$125,000)
TOTAL			(\$125,000)

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: (\$125,000)

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? NO.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.