



The Seattle Head Tax Is Idiotic

The tyranny of local government was on full display this week. The culprits are some greedy members of the Seattle City Council. Backed by their union friends, they just voted to impose a “head tax” on large employers, such as Amazon and Starbucks. The real victims, of course, will be the companies’ employees.

Thanks to Seattle’s many thriving businesses, its revenue base has been growing much faster than its population. Unfortunately, the City Council is doing what it does best and, rather than look into streamlining and cutting its ineffective spending programs in order to combat Seattle’s homeless problem, is looking for fresh cash. Seeing as large companies have it, the council set out to take it.

The result is the so-called head tax on Seattle businesses that gross at least \$20 million annually. According to *The Seattle Times*, 585 businesses in the city will be subject to the tax. Not surprisingly, the tech giant Amazon is expected to pay the most under the tax. The initial proposal was for a \$500 tax per employee, which, in Amazon’s case, would have meant an added \$20 million in labor costs. Thanks to a veto threat from the mayor, the council reduced its tax grab to \$275 per employee.

When the tax was initially proposed, the company announced that under those circumstances, it was going to pause construction planning for a new giant office tower on its new downtown campus. If you employed 40,000 people and realized that you might always be the target of revenue-addicted bureaucrats, you might do the same. But those who constantly lust over other people’s money have no shame. A union-backed activist group named Working Washington immediately called for — wait for it — Amazon to be charged with a felony for the crime of “intimidating a public servant.” Simply questioning whether its business expansion in Seattle would be a good idea in the face of an arbitrary and substantial increase of its labor costs was the alleged crime.

Of course, what Amazon did is no different from what many taxpayers do when taxes increase to cover poor money management. I, for instance, am in the process of deciding whether I really want to continue offering my home through Airbnb now that Arlington County, Virginia, requires a business



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license to rent a room in one's own home, a 7.25 percent tax and filing a monthly tax return for the unit.

Thank goodness, in Seattle, the state's attorney general stepped in and informed everyone that no crime had been committed and no legal action would be taken. Basically, it isn't illegal yet in Seattle to contemplate the best path for your business when the taxman comes after you. But a statement by a Working Washington spokesman should trouble the company, as it's an indication that this is only the beginning. It reads: "It is extraordinary that Amazon's subprime mob boss behavior was so brutal it ignited a citywide debate over whether it was actually criminal. All that because the richest man in the world wants to try to avoid stepping up to address our city's homelessness crisis."

There's no point talking about all the ways that statement is shocking and over-the-top scary. But it's worth noting that Amazon does its share when it comes to filling the Seattle treasury's coffers through its business and sales taxes, the income taxes paid by its 40,000 employees (up from 5,000 in 2010) and the real estate taxes they all pay. And never mind that Amazon has donated half of a six-story building to a homeless shelter, according to *The New York Times*, "providing it with 47,000 square feet of space with private rooms that can hold 65 families, or about 220 people and their pets."

Besides, this head tax won't be paid by Amazon. Companies don't pay taxes. People ultimately pay taxes. That means that this tax will come out of the wages of future employees, the bonuses and wage growth of current employees, the dividends of shareholders, and the pockets of customers, who will face higher prices. It could also lead to the longer-term decision by Amazon to shrink its Seattle operation for the benefit of its second headquarters, the location of which is still being decided. Other cities should take note. Don't repeat Seattle's mistake.

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