



SEATTLE CITY COUNCIL
CENTRAL STAFF

Payroll Expense Tax Legislative Package

Council Bills 119772, 119773 & 119774

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SELECT BUDGET COMMITTEE | APRIL 22, 2020

AGENDA

Briefing and Discussion:

- **Spending Plan - CB 119774: Traci Ratzliff & Aly Pennucci**
- **Payroll Expense Tax - CB 119772: Tom Mikesell**
- **Interfund Loan (IFL) - CB 119773: Dan Eder**

Upcoming Select Committee Schedule

Tentative Schedule

April 29: Continue discussion and respond to outstanding questions.

May 13: Act on proposed amendments and the proposed legislative package (as amended).

Spending Plan Overview

- Emergency Cash Assistance (2020)
- Spending by Category (2021 – 2025)
- Implementation

Spending Plan – Cont'd

☐ Emergency Cash Assistance in 2020

- \$200 million to serve up to 100,000 low-income households
- \$2,000 per household (\$500 per month for four months)
- 1st - \$100 million for households enrolled in existing City administered programs
- 2nd - \$100 million for households impacted by COVID-19 and NOT currently enrolled in a City administered programs

Program/Activity	2021	2022	2023	2024	2025	Total / 5-Year Goal
Interfund Lund Repayment for Emergency Cash Assistance						
Emergency Cash Assistance to Low Income Households Impacted by the COVID-19 Crisis	\$205 million	-	-	-	-	\$205 million Cash assistance to 100,000 low income households
Affordable Housing Inventory & Services						
Rental Housing Production to Assist Households from Zero to 100% of AMI	\$414 million	\$362 million	\$362 million	\$361 million	\$361 million	\$1.8 billion 5-Year Goal: 5,600 units
Operating and Services Support for PSH	-	\$9 million	\$17 million	\$25 million	\$33 million	\$84 million supporting 1,400 PSH units funded in years 1-4
<i>Affordable Housing Subtotal</i>	\$414 million	\$371 million	\$378 million	\$386 million	\$394 million	\$1.9 billion
Green New Deal Implementation						
Green New Deal Implementation	\$138 million	\$124 million	\$126 million	\$129 million	\$131 million	\$648 million
Start-up & Ongoing Administrative Costs						
Start-up costs and ongoing administration	\$29 million	\$15 million	\$16 million	\$16 million	\$16 million	\$92 million
TOTAL ANNUAL SPENDING:	\$786 million	\$510 million	\$520 million	\$531 million	\$541 million	\$2.9 billion

Spending Plan – Cont'd

□ Spending by Category (2021 - 2025)

Social Housing Investments

- \$1.9 billion for affordable housing and operating and service costs for PSH units
- Serve households (incomes 0% to 80% of AMI)
- Community workforce agreements for new development
- Green building standards

GND Investments

- \$648 million for investments to:
 - Convert housing from natural gas/heating oil to electric
 - Weatherize existing residences; Install solar; & Job training

Spending Plan – Cont'd

Implementation

- Implementation Plan Development
- Oversight Boards
- Appropriations
- Emergency Clause

Spending Plan Questions

Payroll Expense Tax - Overview

- Annual Revenue Amount
- Tax Structure (Rate & Threshold)
- Businesses Subject to the Tax
- Exemptions
- Emergency Clause Effect
- Imposition Date and Due Dates

Payroll Expense Tax, Cont'd

□ Annual Revenue Amount:

- \$500 million annually
- 2020 partial year: \$286.4 million, assuming June 1, 2020 start

Payroll Expense Tax, Cont'd

□ Tax Structure:

- Rate: 1.3% of payroll assigned to Seattle
- Generally business with \$7 million or higher Seattle payroll in previous year
- Determining Seattle-assigned payroll:
 - The employee is primarily assigned within Seattle;
 - The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of the employee's service for the tax period in Seattle; or
 - The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of the employee's service in any one city, and the employee resides in Seattle.

Payroll Expense Tax, Cont'd

- **Example Businesses:**
 - **Independent Contractors**
 - Payments included in payroll expenses if not included in another business' payroll
 - **Integrated Enterprises**
 - Seattle payroll for each business license holder measured against \$7 million threshold, irrespective of integration with other discrete businesses
 - **Franchise Businesses**
 - Each franchise business with a discrete business license measured against \$7 million threshold vs. aggregating all similar franchises

Payroll Expense Tax, Cont'd

Businesses Subject to Tax:

- Businesses with Seattle payroll above the \$7 million annual threshold

Tax Exemptions:

- Non-profit organizations
- Educational employers
- Grocery stores
- Local government employers

Payroll Expense Tax, Cont'd

Entities the City does not have the authority to tax:

- Federal and state governments and subsidiaries
- Insurance businesses and their agents
- Businesses that only sell, manufacture, or distribute motor vehicle fuel
- Businesses that only sell or distribute liquor

Payroll Expense Tax, Cont'd

Tax Effective and Due Dates:

- Effective June 1, 2020
- 2020 and 2021 payments due with final quarterly payment of 2021 (February 2022)
- Accruals to meet 2021 spending obligations

Emergency Clause:

- Immediate effective date with three-fourths ($\frac{3}{4}$) City Council vote and Mayor's signature

Payroll Tax Questions

Interfund Loan Overview

- Cumulative Loan Amount
- Six Potential Fund Sources
- Minimizing Impacts
- Emergency Clause

Interfund Loan Detail

- ❑ **Cumulative Loan Amount: \$200 million**
- ❑ **Six Potential Fund Sources, up to \$50 million each**
 - 1) Low Income Housing Fund
 - 2) Housing Incentive Fund
 - 3) Move Seattle Levy Fund
 - 4) Families Education and Preschool Promise Fund
 - 5) Parks Levy Fund
 - 6) 2019 Library Levy Fund

Interfund Loan Detail, Cont'd

Minimizing Impacts

- Requests analysis
- Requests a report within three weeks

Interfund Loan Detail, Cont'd

Emergency Clause

- Necessary to support 2020 Appropriations
- Effective immediately upon:
 - An affirmative vote of $\frac{3}{4}$ of Councilmembers AND
 - The Mayor's signature

Interfund Loan Questions

Thank you