



SEATTLE CITY COUNCIL
CENTRAL STAFF

Business Tax – Revenues

Finance & Neighborhoods Committee | March 28, 2018

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COUNCIL CENTRAL STAFF

Overview

- Background & Context
- Employees & Employers
- Employee Hours Tax
- Payroll Tax
- Other Considerations

Background & Context

Resolution 31782

- Established a Progressive Revenue Task Force
- Between \$25M and \$75M Annually
- Employee Hours Tax and Other Progressive Taxes
- January 1, 2019

Progressive Revenue Task Force (PRTF)'s March 12 Recommendations

- \$75M from a New Business Tax
- Employee Hours Tax
- Payroll Tax
- Other Progressive Taxes
- Spending Priorities

Background & Context: Timing

Employee Hours Tax

- FAS Rulemaking Could Take Up To 6 Months
- Tax Can Be In Effect by January 1, 2019

Payroll Tax

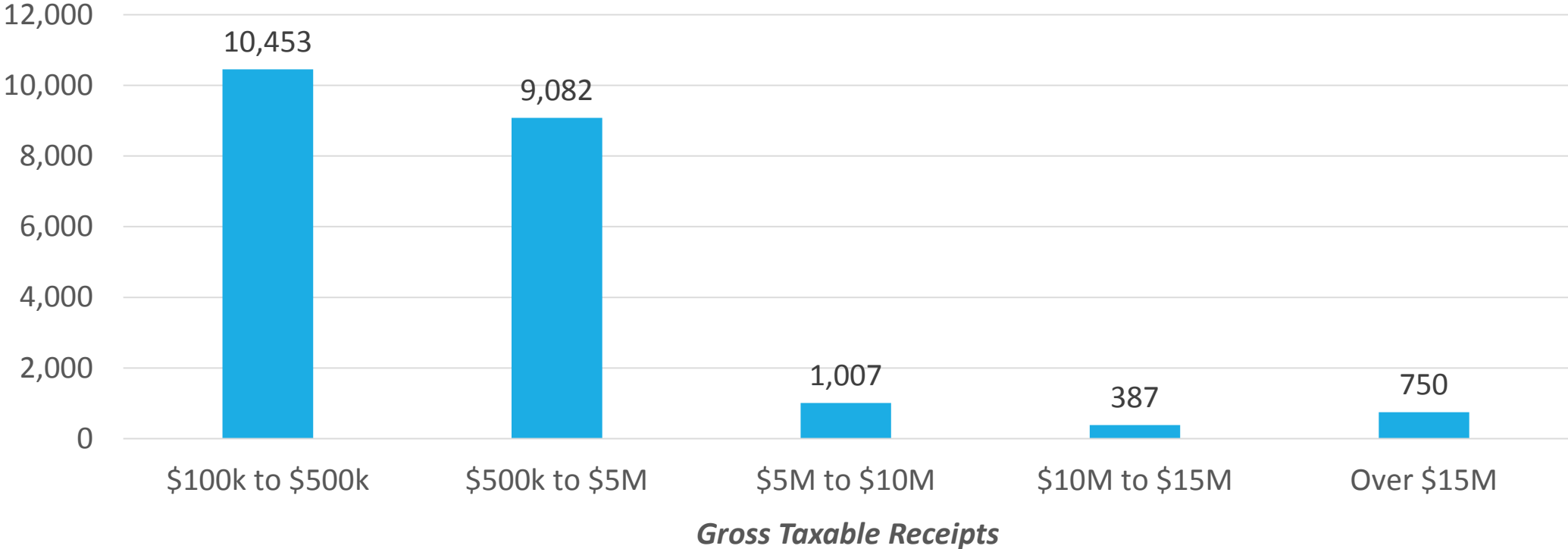
- FAS Rulemaking Could Take 2 Years or Longer
- Tax Cannot Be In Effect by January 1, 2019

Seattle Employment

Full-Time Equivalent (FTE) Positions: 449,000

- Based on 2015 estimate from Puget Sound Regional Council
- Excludes public sector positions
- Excludes positions not covered by unemployment insurance
- Assumes 0.8 FTEs per employee

Number of Businesses

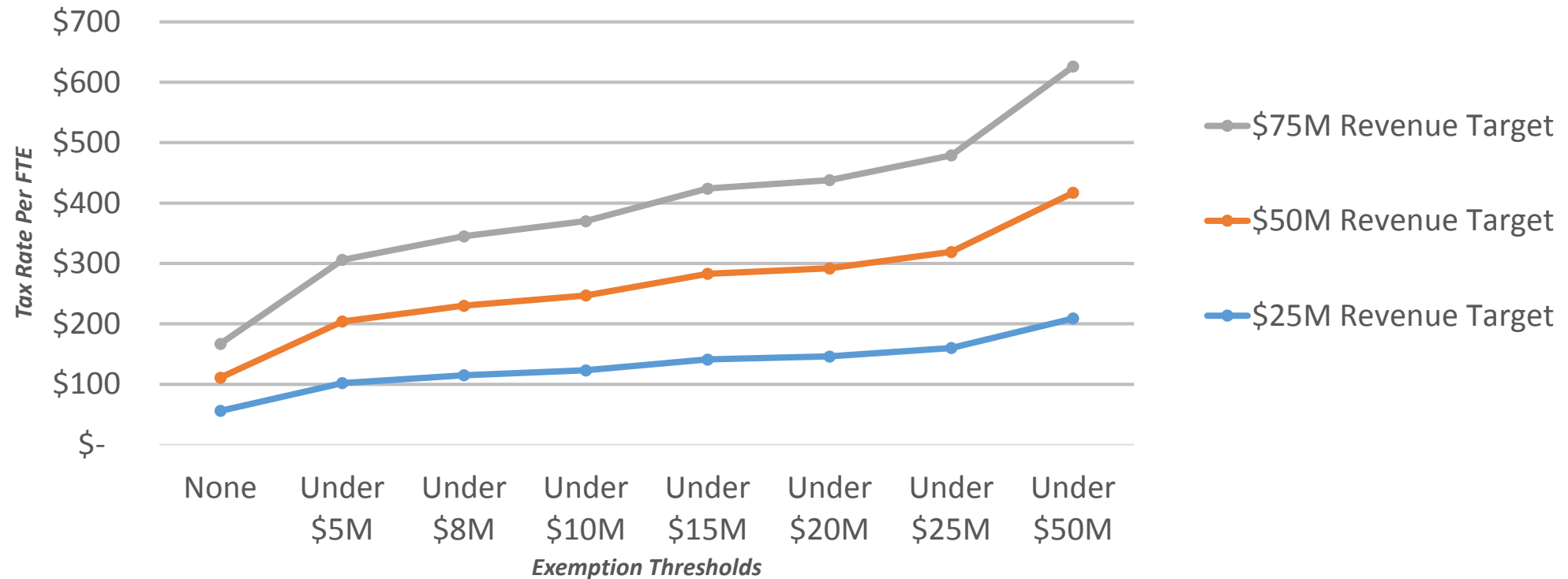


Based on 2015 Business & Occupation Tax Data

Employee Hours Tax Options

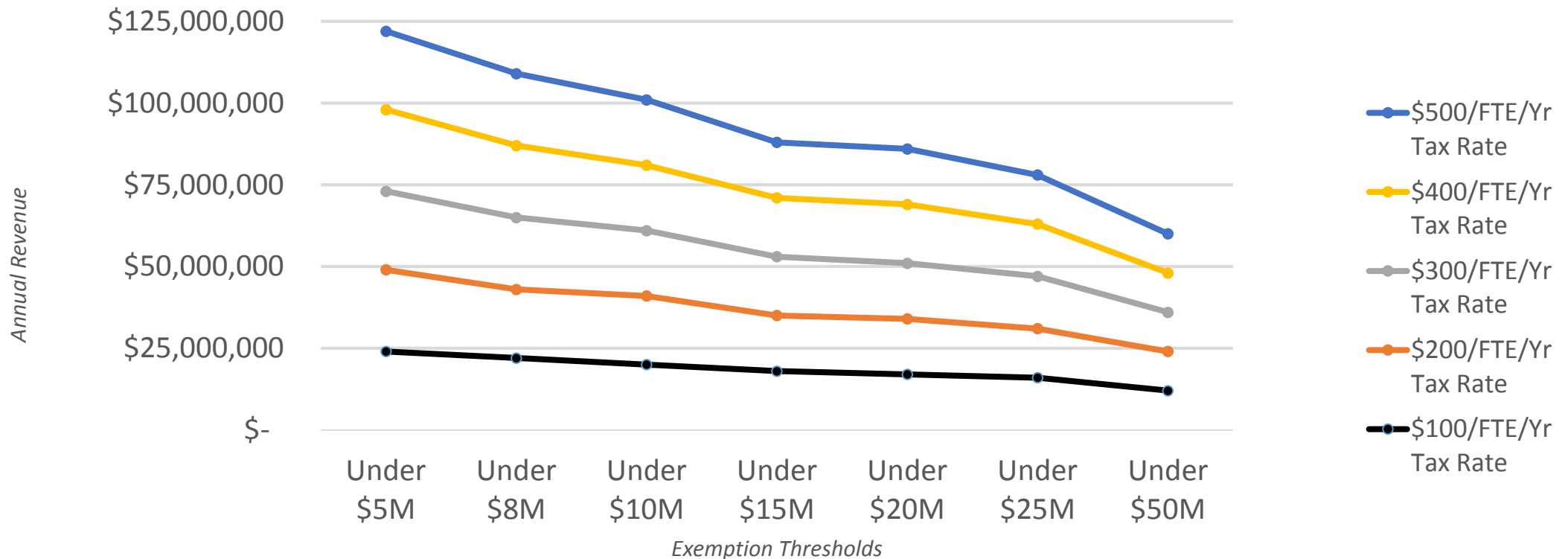
1. One Rate for All Employers (i.e., no exemptions)
2. Include an Exemption for Smaller Businesses
3. Stepped Rates for Different FTE Counts
4. Flat Tax (“Skin in the Game”) Rate for Exempted Businesses
5. Other

Employee Hours Tax: Annual Revenue Target → Rate Per FTE



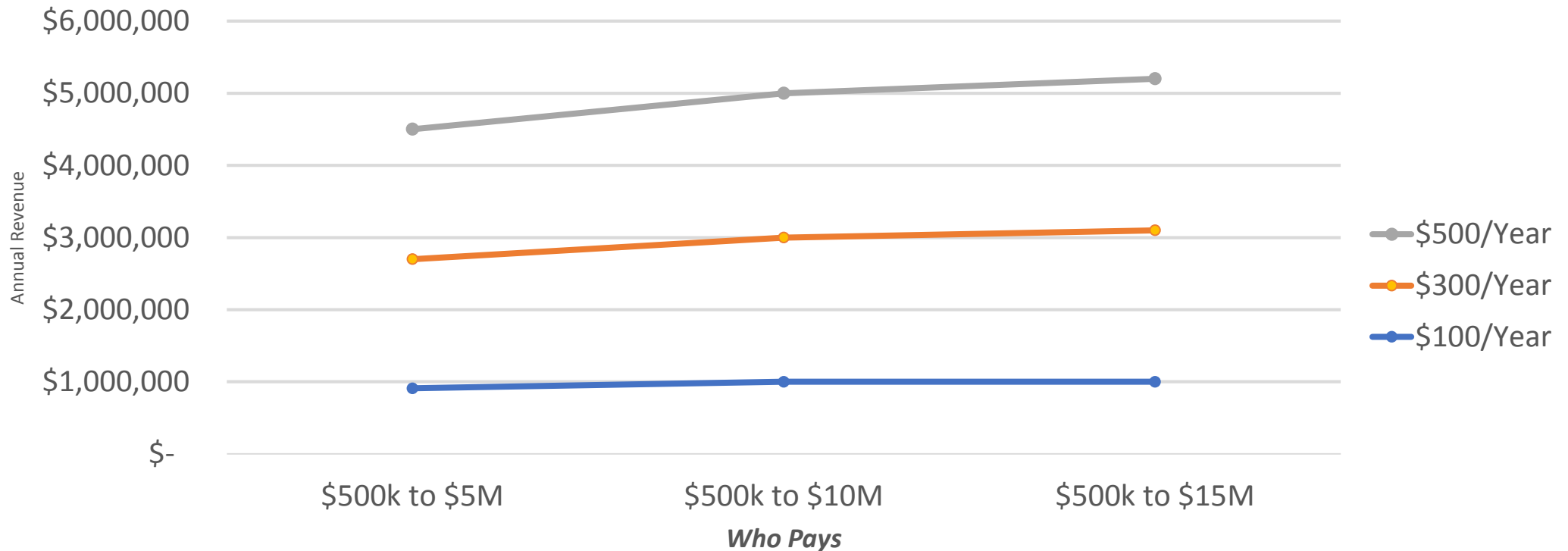
Estimated based on 2009 Employee Hours Tax data, 2015 PSRC Employment Data, and 2015 Business & Occupation Tax Data

Employee Hours Tax: Tax Rate Per FTE → Annual Revenue



Estimated based on 2009 Employee Hours Tax data, 2015 PSRC Employment Data, and 2015 Business & Occupation Tax Data

Employee Hours Tax: Annual Revenue from Flat Rate



Based on 2015 Business & Occupation Tax Data

Payroll Tax: Options

1. Choose a Rate for All Employers (i.e., no exemptions)
2. Choose a Rate for All Employers With an Exemption for Smaller Businesses
3. Vary the Rate by the Number of FTEs
4. Vary the Rate by Payroll Amount
5. Implement Stepped Rates as Payroll Increases
6. Other

Payroll Tax: Annual Revenue (Assuming No Exemptions)



Assumes all FTEs earn \$29.41/hr (2016 mean wage for all occupations in Seattle-Tacoma-Bellevue wage as reported by the federal Bureau of Labor Statistics)

Other Considerations Included in PRTF Report

- Vary Tax Rate by # of FTEs
- Potential Exemptions (Full or Partial)
 - Non Profits
 - Marijuana Businesses
- Spending Priorities

Questions / Next Steps
