

Amendment 8 to CB 119250 – Removal of EHT Sunset (CM Sawant)

On page 4, after line 7, amend the recitals as shown below:

WHEREAS, the City will enact an employee hours tax to be followed and replaced by a business payroll tax, but because of uncertainty in the timeline due to administrative processes, if the imposition of the business payroll tax is delayed then the employee hours tax will remain in effect; and

On page 5, after line 20, amend the subsection as shown below:

5.37.030 Tax imposed—Measure of the tax

A. An employee hours tax is hereby levied upon and shall be collected from every person for the act or privilege of engaging in business activities within the City. The tax shall be measured by the number of employee hours of work conducted within the City during each quarter of the calendar year.

B. The amount of the tax shall be equal to the employee hours worked within the City during each quarter of the calendar year, multiplied by the rate of \$0.26042 per hour worked. The employee hours worked exclude vacation and sick leave hours. If an employee works both within and outside the City, it will be the responsibility of the business to calculate and report the number of hours worked within the City.

C. Alternative Full Time Equivalent (FTE) calculation method. A business may choose to calculate its quarterly employee hours tax based on the number of its FTE employees as follows:

1. Calculation of FTEs. The number of FTE employees for each quarter of the calendar year is (a) the number of a business's full-time employees for the quarter, plus (b) the sum of the hours worked by part-time employees in the quarter divided by 480 hours.

2. Tax. Any fractional FTE remaining after the determination of FTE employees under subsection 5.37.030.C.1 shall be rounded up to the nearest whole number. Once the number of FTE employees is thus determined, that number shall be multiplied by \$125 to determine the quarterly employee hours tax. Once the FTE alternative method is used, it must be used for all future reporting periods, unless a change is approved by the Director.

D. Businesses with more than one place of business must use the same method of calculation for all places of business.

E. The tax applies to employee hours worked or FTEs inside the City regardless of whether the place of business is located within or outside the City.

F. Temporary employment agencies that supply temporary employees to businesses engaging in business activities within the City, and pay the temporary employee's salary or other compensation, shall report and pay the tax on all such temporary employees. Businesses engaging temporary employees who are on the business's payroll shall report and pay the tax on the employee hours of such temporary employees, whether or not they are from an employment agency.

~~((G. The employee hours tax imposed by this Section 5.37.030 shall be in effect during 2019 and 2020 and shall no longer be imposed beginning January 1, 2021 when the business payroll tax in Chapter 5.38 becomes effective. All employee hour tax obligations under this Chapter 5.37 for 2019 and 2020 will remain in effect and due and payable as scheduled.))~~

On page 7, after line 18, amend the subsection as shown below:

" 5.37.050 Exemptions from the employee hours tax

A. The following are exempt from the employee hour tax:

1. Any business having taxable gross income under Chapter 5.45 of \$20,000,000 or less in the most recent complete calendar year.
2. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:
 - a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.
 - b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.
 - c. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.
 - d. Federal and state government agencies and subdivisions.
3. Non-profit organizations as defined in Section 5.30.040.
4. After January 1, 2021, during any time that the business payroll tax under Chapter 5.38 is effective, any business that is subject to and pays the business payroll tax due and owing under Chapter 5.38."

Effect: This amendment eliminates the sunset provision for the employee hours tax and adds an exemption to the employee hours tax for businesses that are subject to and pay the business payroll tax after January 1, 2021.