

Amendment 1 to CB 119250 – Eliminate Payroll Tax, Reduce EHT Rate
(CMs González, Herbold, Mosqueda, O’Brien)

On page 5, after line 21, amend the subsection as shown below:

" 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. From January 1, 2019 through December 31, 2023 the ((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. After December 31, 2023, 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 \$0.093750. 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. ~~((One))~~ For

quarters ending before January 1, 2024, once the number of FTE employees is ((is)) thus determined((, that number)) that number shall be multiplied by \$125 to determine the quarterly employee hours tax. For quarters ending after January 1, 2024, once the number of FTEs employees is thus determined, that number shall be multiplied by \$45 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."

On page 7, after line 6, strike the subsection as shown below:

~~((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 9, after line 4, strike everything through line 22 on page 12 and insert the following:

" Section 2. A new Chapter 5.38 is added to the Seattle Municipal Code and shall be reserved for future use."

On page 13, on line 3, after "(Employee Hours Tax)," strike "5.38 (Business Payroll Tax)".

On page 13, on line 23, after "(Employee Hours Tax).", strike "5.38 (Business Payroll Tax).".

On page 14, on line 10, strike "5.38 (Business Payroll Tax).".

On page 14, on line 20, after "5.37 (Employee Hours Tax).", strike "5.38 (Business Payroll Tax).".

On page 15, on line 11, after "5.37.", strike "5.38.".

On page 16, on line 8, after "5.37.", strike "5.38.".

On page 16, on line 14, after "5.37.", strike "5.38.".

On page 16, on line 21, after "5.37.", strike "5.38.".

On page 17, on line 1, after "5.37.", strike "5.38.".

On page 17, on line 11, after "5.37.", strike "5.38.".

On page 17, on line 14, after "5.37.", strike "5.38.".

On page 17, on line 21, after "5.37.", strike "5.38.".

On page 18, on line 2, after "5.37.", strike "5.38.".

On page 18, on line 21, after "5.37.", strike "5.38.".

On page 19, on line 1, a new section to read as follows:

"Section 13. It is expected the City Council will conduct a thorough review of the employee hours tax beginning in 2023 to determine the whether or not it should be continued and, if it is to be continued, what the rate of tax should be beginning in 2024. In evaluating tax, the Council should take into account the estimated impact of the tax on employment and wages within the city, the number of new affordable housing units constructed using revenues from the tax, the number of persons experiencing homelessness in the city, and the impact of the services funded by the tax on persons experiencing homelessness."

Renumber sections and correct any internal references accordingly.

Effect:

This amendment:

1. Removes all provisions for a Business Payroll Tax; and
2. Removes the January 1, 2021 sunset date for the Employee Hours Tax.
3. Reduces the rate of the Employee Hours Tax from \$500/FTE/year to \$180/FTE/year beginning January 1, 2024.
4. Establishes the expectation that the City Council will conduct an assessment of the EHT in 2023, before the \$180/FTE/year rate goes into effect.

The reduced \$180/FTE/year EHT rate beginning in 2024 would generate an estimated \$27 million per year (and this amount is expected to increase with inflation thereafter) to support debt service on bonds issued to construct affordable housing, operations and maintenance costs for Permanent Supportive Housing, and rental subsidies as provided in the spending plan adopted under Resolution 31810.