



SEATTLE CITY COUNCIL
CENTRAL STAFF

Payroll Expense Tax & Spending Plan

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SELECT BUDGET COMMITTEE | JUNE 17, 2020

AGENDA

Briefing and Discussion:

- **Spending Plan:** Aly Pennucci & Traci Ratzliff
 - 2020: COVID Relief bill
 - 2021, 2022+: Jump Start Seattle Spending Plan
- **Payroll Expense Tax:** Tom Mikesell

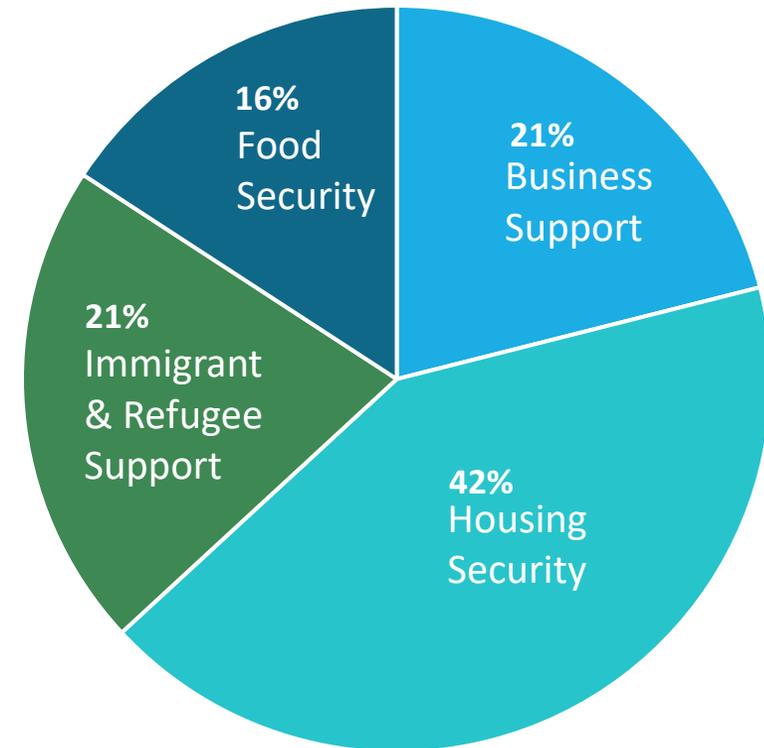
Spending Plan Overview

- **COVID Relief (2020)**
- **Jump Start Seattle Spending**
 - 2021, 2022 and beyond
 - Oversight Committee & Implementation Plan

Spending Plan: 2020 COVID Relief

\$86 million in 2020 from emergency and revenue stabilization funds

- \$18 million: support small businesses and family childcare providers
- \$36 million: housing security and services
- \$18 million: support immigrant and refugee communities
- \$16 million: emergency grocery voucher program



Spending Plan – 2020 COVID Relief cont'd

Program/Activity	Program Description	% of total	2020 Spending
Small Business Support	Child Care	4.2%	\$3.6 million
	All other small businesses	16.4%	\$14.1 million
	Technical assistance	0.4%	\$0.3 million
	Small Business Support - subtotal		21%
Immediate Housing	Homelessness prevention programs & Rental assistance	22%	\$19 million
	Shelter de-intensification and housing or shelter options for unsheltered homeless individuals	13%	\$11 million
	Mortgage counseling and foreclosure prevention	1%	\$1 million
	Service and operation costs to support nonprofit affordable housing & shelter providers	6%	\$5 million
	Immediate Housing - subtotal		42%

Spending Plan: 2020 COVID Relief, cont'd

Program/Activity	Program Description	% of total	2020 Spending
Immigrant and Refugee Support	Direct financial assistance for immigrant and refugee households	20%	\$17 million
	Language access support for people who need help accessing and understanding assistance programs	1%	\$1 million
	Immigrant and Refugee Support- subtotal	21%	\$18 million
Food Security Programs	Continuation or expansion of the Emergency Grocery Voucher program	16%	\$14 million
Total Annual Spending:		100%	\$86 million

Spending Plan: 2021 Jump Start Seattle

- \$86 million to replenish emergency and revenue stabilization funds
- 75% of remaining (~\$65 million) for continuity of services
- 20% of remaining (~\$17 million) for COVID relief programs and services funded in 2020
- 5% of remaining (~\$4 million)for start-up and administration costs

Spending Plan: 2022 & Beyond Jump Start Seattle

- 65% of revenue for affordable housing investments
 - Serving households with incomes between 0 to 50% of Area Median Income (AMI)
 - Supports ongoing operating and services costs
 - Associated infrastructure improvements such as energy efficiency upgrades and appliances
 - Prioritizes investments in housing serving 0 to 30% of AMI
- 10% to support Equitable Development Initiative projects
- 20% to support local businesses and workforce stability
- 5% of remaining for start-up and administration costs

Spending Plan: Jump Start Seattle Implementation

- **Nine Member Payroll Tax Oversight Committee**
 - 2 City staff
 - 2 representing labor
 - 2 representing business
 - 2 representing community organizations
 - 1 representing communities that will benefit from the proposed spending
- **Implementation Plan**
 - Due by June 2021
 - Racial Equity Analysis to be completed on plan before submittal to Council

Spending Plan – Questions?

Payroll Expense Tax - Overview

- **Annual Revenue Amount**
- **Tax Threshold**
- **Assigned Payroll**
- **Rate Structure**
- **Exemptions**
- **Imposition Date and Due Dates**
- **Sunset Provision**

Payroll Expense Tax, Cont'd

- **Annual Revenue Amount:**

- \$174 million annually
- Does not include an estimate for higher rates on business payrolls above \$1 billion

- **Tax Threshold:**

- Businesses with \$7 million or higher Seattle payroll in previous year
- Indexed to inflation beginning in 2022

Payroll Expense Tax, Cont'd

- **Assigned Payroll**

- Employee is primarily assigned within Seattle;
- Employee is not primarily assigned 50% or more of the employee's service for the tax period in Seattle; or
- Employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50% or more of the employee's service in any one city, and the employee resides in Seattle.

Payroll Expense Tax, Cont'd

- **Rate Structure:**
 - **Total Business Payrolls \$7 million to \$1 billion**
 - 0.7% tax on total employee compensation from \$150,000 to \$499,999
 - 1.4% tax on total employee compensation of \$500,000 and above
 - **Total Business Payrolls \$1 billion and higher**
 - 1.4% tax on total employee compensation from \$150,000 to \$499,999
 - 2.1% tax on total employee compensation of \$500,000 and above

Payroll Expense Tax, Cont'd

- **Example Company with \$10 million payroll**
 - Paycheck A: \$149,000
 - Tax: \$0
 - Paycheck B: \$151,000
 - Tax: $0.7\% \times \$151,000 = \$1,057$
 - Paycheck C: \$499,000
 - Tax: $0.7\% \times \$499,000 = \$3,493$
 - Paycheck D: \$501,000
 - Tax: $1.4\% \times \$501,000 = \$7,014$

Payroll Expense Tax, Cont'd

•Tax Exemptions:

- Grocery stores
- Entities for which the City does not have authority to tax:
 - Federal, state and local 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 January 1, 2021
- Payments due with final quarterly payment of 2021 (Feb 2022)
- Accruals to meet 2021 spending obligations

- **Sunset provision**

Payroll Tax – Questions?