

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Tom Mikesell 4-8735/ Dan Eder 4-8147	

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

Summary and background of the Legislation: This council bill would impose a tax on business payrolls of \$7 million or more annually. The new tax would have different rates determined by size of business and level of compensations as follows:

1. Seattle payroll from \$7 million to \$999,999,999.99:
 - a. Individual employee compensation \$150,000 to \$499,999.99: 0.7%
 - b. Individual employee compensation at or above \$500,000: 1.4%
2. Seattle Payroll at or above \$1 billion:
 - a. Individual employee compensation \$150,000 to \$499,999.99: 1.4%
 - b. Individual employee compensation at or above \$500,000: 2.1%

Federal and state government entities, grocery stores, and businesses preempted from taxation by cities under federal or Washington State laws, and businesses with payrolls below the \$7 million threshold, would be exempt.

To payroll tax would be imposed January 1, 2021 and, based on estimates using available government data, would generate approximately \$173.5 million annually. The tax sunsets on December 31, 2030 and includes a statement that the City Council intends to monitor progressive tax proposals from governments with overlapping jurisdiction and consider amendments to the tax in the event that businesses become subject to future significant progressive taxes at the state or county level.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? Yes No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? Yes No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Implementing the corporate payroll tax would require both one-time startup costs (including costs to update or create new computer systems) and ongoing administrative costs. CB 119811 provides 5% of total estimated revenue for administration as part of the 2021 spending plan.

Is there financial cost or other impacts of *not* implementing the legislation?

This council bill provides the revenue to repay a \$86 million use of the City’s Emergency Management Fund and Revenue Stabilization Fund in 2020, that is included in Council Bill 119812. Not implementing this legislation, but approving the appropriations in Council Bill 119812, would require that these funds be replenished from other General Fund resources.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.a., 3.b., and 3.c. and answer the questions in Section 4.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
General Fund 001000		Payroll Expense Tax	\$0	\$173,500,000
TOTAL			\$0	\$173,500,000

Is this change one-time or ongoing?

The payroll expense tax is effective through December 31, 2030.

3.c. Positions

This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
This ordinance would generate both one-time setup and ongoing administrative costs for the Department of Finance & Administrative Services. See 3.b above.
- b. Is a public hearing required for this legislation?**
No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- e. Does this legislation affect a piece of property?**
No.
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**
As described in CB 119811 and CB 119812, the proceeds from the taxes to be collected under this council bill would be used in 2021 repay proposed uses in 2020 of the Emergency Management Fund and the Revenue Stabilization Fund that funds small business support, housing security and services, support for immigrant and refugee communities, and emergency grocery vouchers. In 2022 and thereafter proceeds support affordable housing investments, Equitable Development Initiative projects, and support for local business and workforce stability.
- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?**
While this ordinance would generate revenues to support expanded programming, it does not directly establish or expand any initiatives or programs.