

**SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
LEG	Aly Pennucci / 4-8148	n/a

*\* 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 deductions from the payroll expense tax; extending an existing deduction for non-profit healthcare entities and making the deduction subject to increases that account for inflation; and amending Sections 5.38.045 and 5.38.070 of the Seattle Municipal Code.

**Summary and Background of the Legislation:** This legislation would extend an existing deduction from the Payroll Expense Tax, for three years, that applies to compensation between \$150,000 to \$399,999.99 at non-profit healthcare entities. This legislation would also give the Director of the Department of Finance and Administrative Services (FAS) authority to adjust that range based on inflation. This exemption has been in place since the tax was enacted.

The revenue forecast produced by the Office of Economic and Revenue Forecasts for the JumpStart Payroll Expense Tax in October 2023 assumes that this deduction will expire at the end of 2023. If the deduction is extended, Payroll Expense Tax revenues will decline by about \$4.15 million relative to the October 2023 revenue forecast.

**2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?**      \_\_\_ Yes  x  No

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2028:

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**      \_\_\_ Yes  x  No

If there are no changes to appropriations, revenues, or positions, please delete the table below.

**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?**

**Are there financial costs or other impacts of *not* implementing the legislation?**

**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	2023 Revenue	2024 Estimated Revenue
<b>TOTAL</b>				

**Revenue/Reimbursement Notes:**

The Forecast Office confirmed that there are about 15 non-profit healthcare entities that are currently paying the tax and applied that deduction. Total revenue loss due to the deduction was \$4.1M in 2021 and \$5.2M in 2022. Even with deductions applied, these taxpayers still paid about \$3.4M in 2021 and \$4M in 2022.

If the deduction is extended, Payroll Expense Tax revenues will decline by about \$4.15 million relative to the most recent forecast.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

Yes, FAS administers the JumpStart Payroll Expense Tax and will need to update materials that reference this reduction to update the timeframe and will have to annually adjust the range based on inflation.

**b. Is a public hearing required for this legislation?**

No

**c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No

**d. Does this legislation affect a piece of property?**

No

**e. 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?**

This legislation extends an existing deduction from the Payroll Expense Tax and is not expected to impact vulnerable or historically disadvantaged communities.

**f. Climate Change Implications**

**1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**

No

**2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No

**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)?**

n/a