

Amendment 1 Version 1 to CB 119950 – Increase Payroll Tax Rates

Sponsor: Councilmember Sawant

Co-sponsors: Chair Mosqueda and Councilmember Herbold

Increase the JumpStart Payroll Expense Tax rates to increase annual revenues by at least \$60 million.

Effect: This amendment increases the rates for all businesses currently subject to the payroll expense tax imposed as provided for in Section 5.38 of the Seattle Municipal Code (SMC) by a fraction of a percent, in nominal terms, across all the rate categories to increase annual revenues from this tax by \$60 million. This results in a 19.6 percent increase overall across all the rates, as follows:

Revenue Categories	Employee Compensation	Current Tax rate	Proposed Tax Rate in Am 1 to CB 119950
Category 1	Tier 1	0.7%	0.8%
	Tier 2	1.7%	2.0%
Category 2	Tier 1	0.7%	0.8%
	Tier 2	1.9%	2.3%
Category 3	Tier 1	1.4%	1.7%
	Tier 2	2.4%	2.9%

The increased revenue would be used to add:

1. \$20 million to the Department of Education and Early Learning (DEEL) to expand educational supports at Seattle Public Schools, prioritizing mental health services including, but not limited to, school-based mental health counselors and culturally specific and responsive programming from community-based organizations (see 2024 Council Budget Action DEEL-001-A); and
2. \$40 million to create a reserve in finance general to increase resources available to sustain future wages secured in the City's contract negotiations with the Coalition of City Unions. The intent is to provide an ongoing source of funds to help support the wages and programs and services that the employees within the Coalition of City Unions provide. The funds held in FG would be allocated to the appropriate departments following approval of a new contract for the Coalition (see 2024 Council Budget Action FG-501-A).

By passing this amendment the Council states its intent to amend SMC 5.38.055 in 2024 to amend how the proceeds from the JumpStart fund are allocated in the annual budget. This future change to SMC 5.38.055 would allow an ongoing use of JumpStart funds for the uses described above.

In addition, the signature block to CB 119950 would be updated to the current year (2023) and to reflect the current name of the Mayor and City Clerk.

Double underline indicates language added by this amendment. ~~Double strikethrough~~ indicates language removed by this amendment.

Amend Section 1 of CB 119950 as follows:

Section 1. Section 5.38.030 of the Seattle Municipal Code, enacted by Ordinance 126108, is amended as follows:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to \$99,999,999.99, the rate shall be:
 - a. ((~~Seven tenths~~)) ~~0.701~~ 0.837 percent of the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99; and
 - b. ((~~One and seven tenths~~)) ~~1.701~~ 2.034 percent of the payroll expense of employees with annual compensation of \$400,000 or more.
2. For businesses with payroll expense of \$100 million to \$999,999,999.99, the rate shall be:

a. (~~Seven-tenths~~) ~~0.701~~ 0.0837 percent of the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99; and

b. (~~One and nine-tenths~~) ~~1.901~~ 2.273 percent of the payroll expense of employees with annual compensation of \$400,000 or more.

3. For businesses with payroll expense of \$1 billion or greater, the rate shall be:

a. (~~One and four-tenths~~) ~~1.401~~ 1.675 percent of the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99; and

b. (~~Two and four-tenths~~) ~~2.401~~ 2.871 percent of the payroll expense of employees with annual compensation of \$400,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

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