

Amendment 8
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Pedersen
Exempt Non-Profits

On line 5 of page 9, amend the following as shown:

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Non-profit organizations as defined in Section 5.30.040.

43. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

54. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

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c. Businesses that only distribute or sell liquor as defined in RCW

66.04.010 and exempted in RCW 66.08.120.

d. Federal and state government agencies and any local governmental

entity.

Effect: This amendment would exempt non-profits from the Payroll Excise (“Jump Start”) Tax using the existing Section 5.30.040 of the Seattle Municipal Code: *“Non-profit organization’ means an organization in which no part of the income can be distributed to its members, directors, or officers and that holds a current tax exempt status as provided under Sec. 501(c)(3) of the Internal Revenue Code, as hereafter amended, or is specifically exempted from the requirement to apply for tax exempt status under Sec. 501(c)(3).”*

The State of Washington’s Employment Security Department (ESD) data includes only one composite category with both non-profits of all kinds and both non-profit and for-profit hospitals. This category from ESD is broader than what would be covered by the proposed nonprofit exemption because it includes for-profit hospitals and may include other forms of non-profits such as 501(c)(4)-type (a form of non-profit organizations that attempt to influence candidates for public office and that are ineligible for receiving tax-deductible donations) and potentially other types of non-profits. Using ESD’s category – the only one available – Central Staff estimates that this amendment could decrease 2021 tax revenues by \$9.2 million. However, that estimate overstates the likely reduction in tax revenue because ESD’s category includes for-profit hospitals and may also include other kinds of nonprofits which are not part of this amendment.