

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Tom Mikesell/ 48735	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 taxation; amending the payroll expense tax on persons engaging in business in Seattle; amending Section 5.38.020 of the Seattle Municipal Code; and adding a new Section 5.38.025 to the Seattle Municipal Code.

Summary and background of the Legislation:

Seattle imposes a tax on business payrolls of \$7 million or more annually. The tax applies at different rates determined by size of business and level of individual compensation. The payroll tax applies only to employee payroll expense in Seattle as determined through a three-part test. A payroll expense for an employee is subject to the tax if it meets any of the following criteria:

- Employee is primarily assigned to Seattle;
- Employee performs 50 percent or more of their work in Seattle; or
- Employee resides in Seattle and does not perform 50 percent or more of their work in a single city.

This legislation would add an additional method for businesses to use to determine Seattle payroll subject to the tax. Specifically, this new method would allow businesses to allocate employee payroll expenses based on hours worked in Seattle in proportion to the employee's total hours worked. Businesses would be able to use the original payroll assignment methodology if they choose to do so.

Each year, every covered business must choose either the original method or the new method for all employees to calculate total annual Seattle payroll, to determine the applicable tax rate, and to determine the resulting tax liability.

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.

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?

No

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues/Reimbursements.

3.b. Revenues/Reimbursements

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

If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Is this change one-time or ongoing?

Ongoing

Revenue/Reimbursement Notes:

Providing a second method to calculate payroll expense tax liability will likely result in lower revenue collections. This is because individual firms that would have lower tax liability with the new method will likely use it in lieu of the existing method, while firms that have a lower calculated tax liability using the existing method will continue to use the existing method.

It is not possible to calculate the impact on overall revenues compared to the amount budgeted for 2021.

3.c. Positions

This legislation adds, changes, or deletes positions.

If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications.

4. OTHER IMPLICATIONS

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

The Department of Finance and Administrative Services administers the payroll expense tax and would be responsible for implementing this change.

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?

N/A

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

List attachments/exhibits below: