

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; 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; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

Summary and background of the Legislation: This council bill would impose a 1.3% tax on business payrolls of \$7 million or more annually. Federal and state government entities, nonprofit organizations, 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 generate revenue to meet needs from the COVID-19 civil emergency, the corporate payroll tax would be imposed effective June 1, 2020 and would generate approximately \$500 million annually. While the tax is effective June 1, 2020, payments for 2020 are due with the final tax payment for 2021. Partial year payments for 2020 total \$286.4 million.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes 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 2025:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes No

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

Appropriation change (\$):	General Fund \$		Other \$	
	2020	2021	2020	2021
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	

	2020	2021	2020	2021
		\$786,400,000		
Positions affected:	No. of Positions		Total FTE Change	
	2020	2021	2020	2021

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?

If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

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. The Department of Finance and Administrative Services estimates these costs would include approximately \$5 million in one-time system costs, \$500,000 in annual system operating costs, 12-15 FTE positions, and \$400,000 in one-time operating costs.

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

Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.

This council bill provides the revenue to repay a \$200 million interfund loan to the General Fund in 2020, that is included in Council Bill _____. Not implementing this legislation but approving the interfund loan in Council Bill would require that the loan be repaid from existing General Fund resources, which are otherwise fully programmed for 2020.

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.

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

Fund Name and number	Dept	Budget Control Level Name/#*	2020 Appropriation Change	2021 Estimated Appropriation Change
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Appropriations Notes:

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:

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
General Fund 001000		Corporate Payroll Tax	\$0	\$786,400,000
TOTAL			\$0	\$786,400,000

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Ongoing.

Revenue/Reimbursement Notes:

The bill would generate approximately \$500 million annually. While the tax is effective June 1, 2020, payments for 2020 are due with the final tax payment for 2021. Partial year payments for 2020 total \$286.4 million, bringing the first year’ revenue to \$786.4 million, reflecting both 2020 and 2021 tax payments.

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.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2020 Positions	2020 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.

Position Notes:

4. OTHER IMPLICATIONS

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

If so, please list the affected department(s) and the nature of the impact (financial, operational, etc.).

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?

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

If yes, please describe the measures taken to comply with RCW 64.06.080.

No.

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

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

No.

e. Does this legislation affect a piece of property?

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

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?

If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities. If any aspect of the legislation involves communication or outreach to the public, please describe the plan for communicating with non-English speakers.

The proceeds from the taxes to be collected under this council bill would be used repay an interfund loan that supports emergency cash assistance payments in 2020. In 2021 and thereafter proceeds support affordable housing and housing-related Green New Deal investments adopted in Resolution 31895.

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).

This answer should highlight measurable outputs and outcomes.

While this ordinance would generate revenues to support expanded programming, it does not directly establish or expand any initiatives or programs.

List attachments/exhibits below: