

Payroll Expense Tax (SMC 5.38)

City of Seattle Tax Training



City of Seattle Payroll Expense Tax Training

- CPI Adjustment-including 2024 CPI adjustment/non-profit healthcare entity deduction
- What is the Payroll Expense Tax?
- Payroll Expense and Compensation
- Who is an Employee?
- Compensation Paid in Seattle
 - Hours Method
 - Primarily Assigned Method
- Tax Rate Structure-including Jan. 1, 2024, new rates
- Tax Exemptions
- Non-Profit Healthcare Entities-including extension of the non-profit health care entity deduction
- When is the Tax Due?
- How is the Tax Reported and Paid?
- Payroll Expense Tax Reconciliation Worksheet



CPI Adjustment

- On January 1, 2022, and on January 1 of every year thereafter, the payroll expense tax is adjusted for CPI linked inflation.

| | 2022 | 2023 | 2024 |
|---|-----------------|-----------------|-----------------|
| SMC 5.38.040.A.1: Prior year exemption | \$7,386,494 | \$8,135,746 | \$8,511,281 |
| | 2022 | 2023 | 2024 |
| SMC 5.38.030: Employer payroll expense | \$105,521,339 | \$116,224,938 | \$121,589,724 |
| | \$1,055,213,392 | \$1,162,249,382 | \$1,215,897,244 |
| | 2022 | 2023 | 2024 |
| SMC 5.38.030: Employee annual compensation | \$158,282 | \$ 174,337 | \$182,385 |
| | \$ 422,085 | \$ 464,900 | \$486,359 |
| | 2022 | 2023 | 2024 |
| SMC 5.38.045: Non-profit healthcare entity deduction | \$150,000 | \$150,000 | \$182,385 |
| | \$399,999.99 | \$399,999.99 | \$486,359 |



Payroll Expense Tax

- Effective Jan. 1, 2021
- Imposed on persons engaging in business in Seattle
 - Must have \$8,511,281 of Seattle payroll expense in prior year (2023)
- Imposed on the business, NOT on the employee
- In addition to any license fee or tax imposed by the City, the State, or other governmental entity.



Payroll Expense and Compensation

- The payroll expense of employees with annual compensation of \$182,385 or more in the current calendar year (2024) is used to compute the tax.
- Payroll expense means compensation paid in Seattle to employees.
 - Compensation means “remuneration” as defined by the Washington State Family and Medical Leave program.
 - Compensation includes:
 - Employee contributions to deferred compensation plans
 - Net distributions, or incentive payments earned for services rendered or work performed.



Who is an Employee?

- Any person that performs work, labor, or personal services of any nature for compensation is an employee.
- Includes owners of passthrough entities if they perform work, labor, or services for the business:
 - members of LLCs,
 - partners in partnerships,
 - owners of other pass-through entities, and
 - sole proprietors
- Independent contractors unless exempt (see slide “Tax Exemptions”)
- Excludes compensation to owners of pass-through entities **not** earned for services rendered/work performed.



Compensation Paid in Seattle

- “Payroll expense” = compensation paid in Seattle to employees.
- To determine payroll expense, businesses may use either:
 - The “hours method”, or
 - The “primarily assigned method”
- Required to make the election on the 1st return filed for that year.
 - If no method selected, then the primarily assigned method is presumed to be used.
 - Same method applies to all employees for the entire tax year.



“Hours Method”

- The amount of compensation paid in Seattle is:
 - (1) 100% of the compensation paid to employees that work exclusively in Seattle; and
 - (2) For employees who work partly within and partly outside Seattle, employee’s annual compensation multiplied by the total number of the employee’s hours worked in Seattle over the total number of the employee’s hours worked everywhere.

$$\frac{\text{Hours Worked in Seattle}}{\text{Total Hours Worked Everywhere}} \times \text{Annual Compensation} = \text{Compensation Paid in Seattle}$$

(calculated as a %)

- Assumes 1,920 for employee’s hours worked everywhere.
 - If actual hours worked are more, the employer must be able to document the number of actual hours.

Example 1

Beta Corp elects to use the Hours Method to determine compensation paid in Seattle. All of Beta Corp's employees work exclusively in Seattle for the tax period except for employee M. Employee M works partly in and partly outside Seattle. In 2023, employee M worked 770 hours in Seattle and the remaining hours were worked outside Seattle. Therefore, 40% of employee M's annual compensation is paid in Seattle.

770 (hours worked in Seattle)

1920 (hours worked
everywhere

X

Employee M's Annual
Compensation

=

Employee M's Seattle
Compensation

(calculated as a %) = 40%

Compensation paid to all other Beta Corp employees is paid in Seattle because they worked exclusively in Seattle.



“Primarily Assigned Method”

- If the Hours Method is not elected, then compensation is paid in Seattle is determined using the “Primarily Assigned Method.”
- Compensation paid in Seattle is determined by three cascading criteria:
 - (1) The employee is primarily assigned in Seattle;
 - (2) The employee is not primarily assigned in Seattle but performs 50% or more of their services in Seattle during the tax period; or
 - (3) The employee is not primarily assigned to any place of business and does not perform 50% or more of their services in any city, but the employee resides in Seattle.
- “Primarily assigned” means the business location of the taxpayer where the employee performs their duties for the tax period.
 - An employee that performs more than 50% of their duties at the business location of the taxpayer will be primarily assigned to that business location.



Example 2

Company B elects to use the Primarily Assigned Method for determining compensation paid in Seattle. Company B has an office in Seattle and has three employees, employees K, L, and M. Employees K and L perform 100% of their duties at Company B's office in Seattle for the tax period. In 2024, employee M spends 60% of their time performing services at a client's worksite in Kent, Washington and 40% of their time performing duties at the Seattle office. Compensation paid to employees K and L is paid in Seattle because employees K and L are primarily assigned within Seattle. Employees K and L are primarily assigned within Seattle because they spend more than 50% of their time performing their duties at the business location of the taxpayer in Seattle. However, employee M's compensation is not paid in Seattle. Employee M is not primarily assigned within Seattle because employee M does not spend more than 50% of their time performing their duties at the business location of the taxpayer. Additionally, because employee M performs 50% or more of their time performing services for the tax period in Kent, Washington, their compensation is not paid in Seattle.



Example 3

Company D elects to use the Primarily Assigned Method for determining compensation paid in Seattle. Company D has its headquarters in Seattle. Employee P is an equipment technician and has an office at Company D's headquarters. Employee P travels to customer locations to service equipment and is rarely in the office. At the end of the year, Company D determines that employee P spends 15% of their time performing services in Seattle, 20% in Redmond, 25% in Bellevue, 30% in Renton, and 10% out-of-state. Employee P is not primarily assigned to any place of business for the tax period because they do not spend more than 50% of their time performing duties at the business location of Company D. Furthermore, employee P does not spend 50% or more of their time performing duties in any city. Therefore, compensation paid to employee P is considered paid in the city where the employee resides.



2024 Tax Rates

- Tax is on payroll expense of employees with \$182,385 or more in annual compensation.
 - Rates are based on payroll expense in **Seattle** in the **current** year.

| Tax Year 2024 | Seattle Payroll Expense of Person Engaging In Business | | |
|---------------------------------|--|---|----------------------------|
| Annual Employee Compensation | Less than \$121,589,724 million | \$121,589,724 million but less than \$1,215,897,244 | \$1,215,897,244 or greater |
| \$0- less than \$182,385 | N/A | N/A | N/A |
| \$182,385 – less than \$486,359 | Rate = 0.746% | Rate = 0.746% | Rate = 1.492% |
| \$486,359 or more | Rate = 1.811% | Rate = 2.024% | Rate = 2.557% |

- Payroll Expense and Annual Comp includes 2024 CPI Adjustment



Example 4 (2024 tax year)

Company A has employees in Seattle. In the prior year, Company A had \$9 million of Seattle payroll expense and \$10 million of Seattle payroll expense in the current year. Company A elected to use the Primarily Assigned Method for determining compensation paid in Seattle. In the current year, Company A has 55 employees that earn \$100,000 per year, 10 employees that earn \$200,000 per year, and 5 employees that earn \$500,000 per year.

Company A's current year Seattle Payroll Expense Tax would be:

| COMPANY A | | | | | |
|---------------------------------|-----------|---------------|---------------------|--------|-----------------|
| Payroll in Seattle (Prior Year) | | \$ 9 Million | | | |
| Payroll in Seattle (Current) | | \$ 10 Million | | | |
| Compensation | # of Emp. | Annual Salary | Payroll Exp | Rate | Tax |
| \$0 - \$182,384.99 | 55 | \$100,000 | \$5,500,000 | N/A | \$0 |
| \$182,385 - \$486,358.99 | 10 | 200,000 | 2,000,000 | 0.746% | 14,920 |
| \$486,359 and greater | 5 | 500,000 | 2,500,000 | 1.811% | 45,275 |
| TOTAL | 70 | | \$10,000,000 | | \$60,195 |

Example 5 (2024 tax year)

Company C has 6,960 employees in Seattle. In the prior year, Company C had \$1.3 billion of Seattle payroll expense and \$750 million of Seattle payroll expense in the current year. Company C has elected to use the Primarily Assigned Method for determining compensation paid in Seattle. In the current year, Company C has 6,600 employees that earn \$100,000 per year, 300 employees that earn \$200,000 per year, and 60 employees that earn \$500,000 per year

Company C's current year Seattle Payroll Expense Tax would be:

| COMPANY C | | | | | |
|---------------------------------|-------------|---------------|----------------------|--------|--------------------|
| Payroll in Seattle (Prior Year) | | \$1.3 billion | | | |
| Payroll in Seattle (Current) | | \$750 million | | | |
| Compensation | # of Emp. | Annual Salary | Payroll Exp | Rate | Tax |
| \$0 - \$182,384.99 | 6,600 | \$100,000 | \$660,000,000 | N/A | \$0 |
| \$182,385 - \$486,358.99 | 300 | 200,000 | 60,000,000 | 0.746% | \$447,600 |
| \$486,359 and greater | 60 | 500,000 | 30,000,000 | 2.024% | \$607,200 |
| TOTAL | 6960 | | \$750,000,000 | | \$1,054,800 |

Example 6 (2024 tax year)

Alpha Corp had \$9 million in total employee compensation in the prior year and has elected to use the Hours Method to determine compensation paid in Seattle in the current year. Alpha Corp had 30 employees with annual compensation of \$200,000 and each of these employees worked 960 hours or 50% of their hours in Seattle. Alpha Corp had 5 employees with annual compensation of \$500,000 and each of these employees worked 1,536 hours or 80% of their hours in Seattle. The remaining \$3,500,000 of Alpha Corp's total compensation paid was earned by employees making less than \$182,385 and they worked exclusively in Seattle during the tax period.

Employees who worked exclusively in Seattle: The amount of compensation paid in Seattle is 100% of the compensation paid to employees who worked exclusively in Seattle.

Compensation earned by employees making less than \$182,385 = \$3,500,000

Employees who worked partly in and partly outside in Seattle:

30 employees with annual compensation of \$200,000

Compensation Paid in Seattle = $\$200,000 \times 960/1,920$ (50%) = \$100,000 per employee

Total Comp Paid in Seattle = $\$100,000 \times 30$ employees = \$3,000,000



Example 6 (2024 tax year) (continued)

Employees who worked partly in and partly outside Seattle

5 employees with annual compensation of \$500,000

Compensation Paid in Seattle = $\$500,000 \times 1,536/1,920$ (80%) = \$400,000 per employee

Total Comp Paid in Seattle = $\$400,000 \times 5$ employees = \$2,000,000

| ALPHA CORP | | | | |
|---------------------------------|---------------------|--------------------|--------|-----------------|
| Payroll in Seattle (Prior Year) | | \$ 9 Million | | |
| Payroll in Seattle (Current) | | \$ 8.5 Million | | |
| Compensation | Annual Salary | Payroll Exp | Rate | Tax |
| \$0 - \$182,384.99 | \$3,500,000 | \$3,500,000 | N/A | \$0 |
| \$182,385-\$486,358.99 | \$6,000,000 | \$3,000,000 | 0.746% | \$22,380 |
| \$486,359 and greater | \$2,500,000 | \$2,000,000 | 1.811% | \$36,220 |
| TOTAL | \$12,000,000 | \$8,500,000 | | \$58,600 |

Tax Exemptions (2024)

- Businesses exempt from the payroll expense tax:
 - Business with Seattle payroll expense less than \$8,511,281 in the prior year (2023)
 - Grocery businesses
 - Retail & Wholesalers businesses who have at least 70% of the gross income from the retail sales of food and food ingredients exempt from RST when sold to consumer
 - Entities for which the City does not have authority to tax:
 - Federal, state and local governments and subsidiaries
 - Insurance businesses and their appointed insurance producers
 - Businesses that only sell motor vehicle fuel
 - Businesses that only sell liquor
- Independent contractors whose compensation is included in the payroll expense of another business is also exempt
 - Prior slide “who is an employee”



Tax Exemptions (2024 tax year)

- Taxpayers with less than \$8,511,281 in payroll expense in Seattle in the prior year (2023).
 - No returns due for the current year.
 - Even if employees with annual compensation of \$182,385 or more paid in Seattle in current year.
- Taxpayers with \$8,511,281 or more in payroll expense in Seattle in the prior year (2023).
 - Files a return. Could be a zero return if no employees with annual compensation of \$182,385 or more.
- If utilizing the Hours Method may exclude payroll expense of employees who work within Seattle less than 40 hours during the tax year.



Non-Profit Healthcare Entities

- Jan. 1, 2021, through Dec. 31, 2023, the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99 at non-profit healthcare entities may be deducted from the Payroll Expense Tax.
 - The deduction amount is not adjusted for CPI.
- Non-profit healthcare deduction extended through Dec. 31, 2026.
 - Starting Jan. 1, 2024, the deduction amount is adjusted for CPI. The CPI adjustment is calculated identically to all other Payroll Expense Tax CPI adjustments. In 2024, a non-profit healthcare entity may deduct compensation paid in Seattle to employees whose annual compensation = \$182,385-\$486,359.
- “Non-profit healthcare entity” means:
 - A Non-profit entity that provides comprehensive healthcare services, including primary and specialty care, and other non-profit health care entities that provide at least 50 percent of their services to patients covered by Apple Health and TRICARE;
 - Non-profit entities that conduct life sciences R&D; or
 - A capitated provider group operated by a fully non-profit carrier licensed under chapter 48.44 or 48.46 RCW.



When is the Tax Due?

- The tax for 2021 was not due until **Jan. 31, 2022** – *the due date of the 2021 fourth quarter.*
- After 2021, the tax is due and payable on a quarterly basis – same as the Business License tax.
 - If taxes are reported by a taxpayer more than once per year, taxpayers may use the prior calendar year payroll expense to estimate reporting for the first 3 quarters and “true-up” reporting on the fourth quarter return.



How is the Tax Reported and Paid?

- **Online:** <https://www.filelocal-wa.gov/>
 - Payment Options: MC,VS, and ACH debit.
 - Electronic filing requires electronic payment.

OR

- **Manual:** Downloadable form
 - <https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax>
 - Manual filing requires manual payment. A paper check will need to be submitted.
- **Payroll Processor Submissions:**
 - Business authorization required



FileLocal Registration - What is Needed?

- Seattle account number and/or State of Washington UBI number.
- Businesses can locate these identification numbers on our website:
<https://www.seattle.gov/city-finance/business-taxes-and-licenses/find-a-licensed-business>

- Example:
 - Legal Name: **2018 FILELOCAL TEST ACCOUNT**
 - Trade Name: **DBA FILELOCAL TEST ACCOUNT TEST**
 - Seattle Business License Tax Certificate Number: **826781**
 - UBI Number: **0008267810740905**
 - City Account Number: **0008267810740905**
 - Address: **700 5TH AVE SEATTLE, WA 98104-5058**
 - Phone: **(206) 684-8484**
 - NAICS: **541611, Administrative Management and General Management Consulting Services**
 - License types:
 - BUSINESS LICENSE Renewal Date: **12/31/2017**
 - COMMERCIAL PARKING Renewal Date: **12/31/2018**

- Each business must file their own separate return. Bulk filings are not available.

Register for City of Seattle Tax Updates

www.seattle.gov/city-finance/

The screenshot shows a web browser window with the City of Seattle website. The left sidebar is dark blue and contains the following sections:

- Seattle** logo and navigation links: English, Search, Pay or Apply, Menu.
- Director's Rules**
- City Finance**
 - Jamie Carnell, Interim Director
 - Address: [700 Fifth Ave., 4th Floor, Seattle, WA, 98104](#)
 - Mailing Address: P.O. Box 34214, Seattle, WA, 98124-4214
 - Phone: [\(206\) 684-8484](tel:(206)684-8484)
 - Email: tax@seattle.gov
 - Hours: 8:30 a.m.-4 p.m.
- Newsletter Updates**
 - [Subscribe](#) button
 - Text: *Sign up for the latest updates from City Finance*
- City-Wide Information**
 - Elected Officials
 - Open Data Portal
 - Public Records
 - City News Feed
- Popular Pages**
 - 1. Power Outages
 - 2. Adopt a Pet
 - 3. Pay My Ticket
 - 4. Winter Weather Preparation
 - 5. Police Jobs

The main content area on the right is white and contains:

- Seattle** logo
- Email Updates** section header
- Text: "To sign up for updates or to access your subscriber preferences, please enter your contact information below."
- Email Address** label with a red asterisk, followed by a text input field.
- Submit** and **Cancel** buttons.
- Text: "Your contact information is used to deliver requested updates or to access your subscriber preferences."
- Links: [Privacy Policy](#) | [Cookie Statement](#) | [Help](#)

Two large blue arrows point from the 'Subscribe' button in the sidebar to the 'Email Address' input field in the main content area.

Manual Filing: Paper Form Example (2024)

Illustrative Purposes Only

Category 1: Current Year Annual Seattle Payroll Expense Less Than \$121,589,724

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.00746 | |
| \$486,359 or more | | | | x 0.01811 | |

Category 2: Current Year Annual Seattle Payroll Expense is \$121,589,724 Or More, But Less Than \$1,215,897,244

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.00746 | |
| \$486,359 or more | | | | x 0.02024 | |

Category 3: Current Year Annual Seattle Payroll Expense \$1,215,897,244 Or More

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.01492 | |
| \$486,359 or more | | | | x 0.02557 | |

*Deduction: Taxpayers that are non-profit healthcare entities may deduct from the measure of the tax the payroll expense of employees with annual compensation of \$182,385 but less than \$486,359. See SMC 5.38.020 for definition of "non-profit healthcare entity." Commencing in tax year 2024 and applying only prospectively, an inflation adjustment applies to the annual employee compensation amount used to calculate the non-profit healthcare entity deduction.

| | | |
|--------------------------|--|------|
| Total Tax Due: | | \$ |
| Penalty Due: | Returns must be filed and taxes paid by the due date or penalties shall apply. See back of form for rates. | \$. |
| Interest Due: | Returns filed after the due date will accrue interest. Contact our office for information about rates. | \$. |
| Total to be Paid: | | \$ |



Q4 2024 Reconciliation Example: Tax Due

| Step 1 | | | | | |
|--|-----------------------------------|-----------------------|----------------------------|----------------------|---------------------|
| Current Year Payroll Expense Tax Due | | | | | |
| Annual Employee Compensation | Column A Payroll Expense Total | Column B Deduction | Column C Taxable Amount | Column D Tax Rate | Column E Tax Due |
| Payroll expense of employees with annual compensation of \$182,385 but less than \$486,359 | \$4,250,321 | - | \$4,250,321 | 0.746% | \$31,707.39 |
| Payroll expense of employees with annual compensation of \$486,359 or more | \$2,576,470 | | \$2,576,470 | 1.811% | \$46,659.87 |
| Total Tax Due | | | | | \$78,367.26 |

The payroll expense tax rates are applied to the total annual compensation paid in Seattle of employees with annual compensation of \$182,385 or more.



Step 1 = Determine Payroll Expense Tax Due for the 2024 calendar year

| Step 2 | | | | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------|
| Payroll Expense Tax Paid | | | | |
| Calendar Quarter | Quarter 1 (Jan 1 - Mar 31) | Quarter 2 (Apr 1 - Jun 30) | Quarter 3 (Jul 1 - Sep 30) | Total |
| Payroll expense tax paid for Quarters 1, 2, and 3. * | \$16,075.54 | \$16,075.54 | \$16,075.54 | \$48,226.62 |

* For quarters one, two, and three, the taxpayer may use the Seattle payroll expense in the prior calendar year to arrive at an estimated amount to report in each quarter.



Step 2 = Determine Payroll Expense Tax paid Q1, Q2 and Q3

| Step 3 | | | | |
|--|--|-----------------------------------|--|--|
| Payroll Expense Tax Reconciliation Calculation | | | | |
| Column A Annual Payroll Expense Tax Due (Part 1, Column E Total) | Column B Taxes Paid on prior Returns (Total from Step 2) | Column C Tax Balance Due (A-B) | Column D Input the rate for the compensation with the greatest payroll expense (See Table 1, p. 2) | Column E Total Compensation to Report on Q4 Return (C / D) |
| \$78,367.26 | \$48,226.62 | \$31,707.39 | 0.746% | \$4,250,320.37 |



Step 3 = reconciliation calculation identifying 2024 tax balance due



Q4 2024 Reconciliation Example: Tax Due

Category 1: Current Year Annual Seattle Payroll Expense Less Than \$121,589,724

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | \$4,250,320.37 | | \$4,250,320.37 | x 0.00746 | \$31,707.39 |
| \$486,359 or more | | | | x 0.01811 | |



**Payroll Expense Tax
balance due from step 3
column C**

Category 2: Current Year Annual Seattle Payroll Expense is \$121,589,724 Or More, But Less Than \$1,215,897,244

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.00746 | |
| \$486,359 or more | | | | x 0.02024 | |

Category 3: Current Year Annual Seattle Payroll Expense \$1,215,897,244 Or More

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|--------------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.01492 | |
| \$486,359 or more | | | | x 0.02557 | |

*Deduction: Taxpayers that are non-profit healthcare entities may deduct from the measure of the tax the payroll expense of employees with annual compensation of \$182,385 but less than \$486,359. See SMC 5.38.020 for definition of "non-profit healthcare entity." Commencing in tax year 2024 and applying only prospectively, an inflation adjustment applies to the annual employee compensation amount used to calculate the non-profit healthcare entity deduction.

| | | |
|--------------------------|--|--------------|
| Total Tax Due: | | \$ 31,707.39 |
| Penalty Due: | Returns must be filed and taxes paid by the due date or penalties shall apply. See back of form for rates. | \$. |
| Interest Due: | Returns filed after the due date will accrue interest. Contact our office for information about rates. | \$. |
| Total to be Paid: | | \$ 31,707.38 |



2024 tax balance due



Q4 2024 Reconciliation Example: Overpayment

| Step 1 | | | | | |
|--|-----------------------------------|-----------------------|----------------------------|----------------------|---------------------|
| Current Year Payroll Expense Tax Due | | | | | |
| Annual Employee Compensation | Column A Payroll Expense Total | Column B Deduction | Column C Taxable Amount | Column D Tax Rate | Column E Tax Due |
| Payroll expense of employees with annual compensation of \$182,385 but less than \$486,359 | \$3,050,321 | - | \$3,050,321 | 0.746% | \$22,755.39 |
| Payroll expense of employees with annual compensation of \$486,359 or more | \$1,076,470 | | \$1,076,470 | 1.811% | \$19,494.87 |
| Total Tax Due | | | | | \$42,250.26 |

The payroll expense tax rates are applied to the total annual compensation paid in Seattle of employees with annual compensation of \$182,385 or more.



Step 1 = Determine Payroll Expense Tax Due for the 2024 calendar year

| Step 2 | | | | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------|
| Payroll Expense Tax Paid | | | | |
| Calendar Quarter | Quarter 1 (Jan 1 - Mar 31) | Quarter 2 (Apr 1 - Jun 30) | Quarter 3 (Jul 1 - Sep 30) | Total |
| Payroll expense tax paid for Quarters 1, 2, and 3. * | \$16,075.54 | \$16,075.54 | \$16,075.54 | \$48,226.62 |

* For quarters one, two, and three, the taxpayer may use the Seattle payroll expense in the prior calendar year to arrive at an estimated amount to report in each quarter.



Step 2 = Determine Payroll Expense Tax paid Q1, Q2 and Q3

| Step 3 | | | | |
|--|--|-----------------------------------|--|--|
| Payroll Expense Tax Reconciliation Calculation | | | | |
| Column A Annual Payroll Expense Tax Due (Part 1, Column E Total) | Column B Taxes Paid on prior Returns (Total from Step 2) | Column C Tax Balance Due (A-B) | Column D Input the rate for the compensation with the greatest payroll expense (See Table 1, p. 2) | Column E Total Compensation to Report on Q4 Return (C / D) |
| \$42,250.26 | \$48,226.62 | (\$5,976.36) | 0.746% | \$00.00 |



Step 3 = reconciliation calculation identifying 2024 tax balance due



Q4 2024 Reconciliation Example: Overpayment

Q3 2024 As-Filed Return
(input in Q3 2024
reconciliation worksheet
step 2)

Tier 1: Current Year Annual Seattle Payroll Expense Less Than \$121,589,724

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|-----------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | \$872,060.32 | | \$872,060.32 | x 0.00746 | \$6,505.57 |
| \$486,359 or more | \$528,325.23 | | \$528,325.23 | x 0.01811 | \$9567.97 |

Tier 2: Current Year Annual Seattle Payroll Expense is \$121,589,724 Or More, But Less Than \$1,215,897,244

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|-----------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.00746 | |
| \$486,359 or more | | | | x 0.02024 | |

Tier 3: Current Year Annual Seattle Payroll Expense \$1,215,897,244 Or More

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|-----------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.01492 | |
| \$486,359 or more | | | | x 0.02557 | |

*Deduction: Taxpayers that are non-profit healthcare entities may deduct from the measure of the tax the payroll expense of employees with annual compensation of \$182,385-\$486,358.99. See SMC 5.38.020 for definition of "non-profit healthcare entity".

| | |
|---|---------------------|
| Total Tax Due: | \$ 16,075.54 |
| Penalty Due: Returns must be filed and taxes paid by the due date or penalties shall apply. See back of form for rates. | \$. |
| Interest Due: Returns filed after the due date will accrue interest. Contact our office for information about rates. | \$. |
| Total to be Paid: | \$ 16,075.54 |

Q4 2024 Reconciliation Example: Overpayment

Q3 2024 Amended Return

Q3 as filed tax paid = \$16,075.54
 Q3 total tax due - \$10,562.56
 Refund due = \$5,512.98

Tier 1: Current Year Annual Seattle Payroll Expense Less Than \$121,589,724

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|---|-------------------------|---|----------------------|-------------------------------------|
| \$182,385 - Less than \$486,359 | \$872,060.32 \$981,399.46 | | \$872,060.32 \$981,399.46 | x 0.00746 | \$6,505.57 \$7,321.24 |
| \$486,359 or more | \$528,325.23 \$178,979.56 | | \$528,325.23 \$178,979.56 | x 0.01811 | \$9567.97 \$3,241.32 |

Tier 2: Current Year Annual Seattle Payroll Expense is \$121,589,724 Or More, But Less Than \$1,215,897,244

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|-----------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.00746 | |
| \$486,359 or more | | | | x 0.02024 | |

Tier 3: Current Year Annual Seattle Payroll Expense \$1,215,897,244 Or More

| Column A Annual Employee Compensation | Column B Payroll Expense Total | Column C Deduction * | Column D Taxable Amount | Column E Tax Rate | Column F Tax Due |
|--|-----------------------------------|-------------------------|----------------------------|----------------------|---------------------|
| \$182,385 - Less than \$486,359 | | | | x 0.01492 | |
| \$486,359 or more | | | | x 0.02557 | |

*Deduction: Taxpayers that are non-profit healthcare entities may deduct from the measure of the tax the payroll expense of employees with annual compensation of \$182,385-\$486,358.99. See SMC 5.38.020 for definition of "non-profit healthcare entity".

| | | | | | |
|----------------|--|--|--|---------------------------|-------------------------|
| Total Tax Due: | | | | | \$10,562.56 |
| | | | | | \$ 16,075.54 |
| Penalty Due: | Returns must be filed and taxes paid by the due date or penalties shall apply. See back of form for rates. | | | | \$. |
| Interest Due: | Returns filed after the due date will accrue interest. Contact our office for information about rates. | | | | \$. |
| | | | | Total to be Paid:- | \$ 16,075.54 |

Refund Due \$5,512.98

Questions:

(206) 684-8484

tax@seattle.gov

<https://www.seattle.gov/city-finance>

