Payroll Expense Tax (SMC 5.38)

City of Seattle Tax Training

July 21, 2026

Office of City Finance

City of Seattle

City of Seattle Payroll Expense Tax Training

- 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
- CPI Adjustment
- Tax Exemptions
- Non-Profit Healthcare Entities
- When is the Tax Due?
- How is the Tax Reported and Paid?
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Payroll Expense Tax

- Effective Jan. 1, 2021
- Imposed on persons engaging in business in Seattle
    - Must have $9,074,409 of Seattle payroll expense in prior year (2025)
- 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 $194,452 or more in the current calendar year (2026) 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
- Individual independent contractors unless exempt (see slide “Tax Exemptions”)
- Excludes payments 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 2026, employee M worked 768 hours in Seattle and the remaining hours were worked outside Seattle. Therefore, 40% of employee M’s annual compensation is paid in Seattle.

768 (hours worked in Seattle) / **1920 (hours worked everywhere** **(calculated as a %) = 40%**	**X**	**Employee M’s Annual Compensation**	**=**	**Employee M’s Seattle Compensation**

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 to any business location of the taxpayer 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 **<u>any</u>** 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 2026, 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.

2026 Tax Rates

- Tax is on payroll expense of employees with $194,452 or more in annual compensation.
  - Rates are based on payroll expense in **Seattle** in the **current** year.

Tax Year 2026	Seattle Payroll Expense of Person Engaging In Business		
Annual Employee Compensation	Less than $129,634,413 million	$129,634,413 million but less than $1,296,344,132	$1,296,344,132 or greater
$0- less than $194,452	N/A	N/A	N/A
$194,452 – less than $518,538	Rate = 0.746%	Rate = 0.746%	Rate = 1.492%
$518,538 or more	Rate = 1.811%	Rate = 2.024%	Rate = 2.557%

- Payroll Expense and Annual Comp includes 2026 CPI Adjustment

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**	**2025**	**2026**
SMC 5.38.040.A.1: Prior year exemption	$7,386,494	$8,135,746	$8,511,281	$8,837,302	$9,074,409
	2022	**2023**	**2024**	**2025**	**2026**
SMC 5.38.030: Employer payroll expense	$105,521,339	$116,224,938	$121,589,724	$126,247,176	$129,634,413
	$1,055,213,392	$1,162,249,382	$1,215,897,244	$1,262,471,758	$1,296,344,132
	2022	**2023**	**2024**	**2025**	**2026**
SMC 5.38.030: Employee annual compensation	$158,282	$ 174,337	$182,385	$189,371	$194,452
	$ 422,085	$ 464,900	$486,359	$504,989	$518,538
	2022	**2023**	**2024**	**2025**	**2026**
SMC 5.38.045: Non-profit healthcare entity deduction	$150,000	$150,000	$182,385	$189,371	$194,452
	$399,999.99	$399,999.99	$486,359	$504,989	$518,538

Example 4 (2026 tax year)

Company A has employees in Seattle. In the prior year, Company A had $12 million of Seattle payroll expense and $13 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 60 employees that earn $100,000 per year, 20 employees that earn $200,000 per year, and 5 employees that earn $600,000 per year.

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

COMPANY A					
Payroll in Seattle (Prior Year)		**$ 12 Million**			
Payroll in Seattle (Current)		**$ 13 Million**			
Compensation	**# of Emp.**	**Annual Salary**	**Payroll Exp**	**Rate**	**Tax**
$0 - $194,451.99	60	$100,000	$6,000,000	N/A	$0
$194,452 - $518,537.99	20	200,000	4,000,000	0.746%	29,840
$518,538 and greater	5	600,000	3,000,000	1.811%	54,330
TOTAL	**85**		**$13,000,000**		**$84,170**

Example 5 (2026 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 $756 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 $600,000 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)		**$756 million**			
Compensation	**# of Emp.**	**Annual Salary**	**Payroll Exp**	**Rate**	**Tax**
$0 - $194,451.99	6,600	$100,000	$660,000,000	N/A	$0
$194,452 - $518,537.99	300	$200,000	$60,000,000	0.746%	$447,600
$518,538 and greater	60	$600,000	$36,000,000	2.024%	$728,640
TOTAL	**6,960**		**$756,000,000**		**$1,176,240**

Example 6 (2026 tax year)

Alpha Corp had $12 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 $550,000 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 $194,452 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 $194,452 = $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 X 960/1,920 (50%)	=	$100,000 per employee
Total Comp Paid in Seattle	=	$100,000 X 30 employees	=	$3,000,000

Example 6 (2026 tax year) (continued)

Employees who worked partly in and partly outside Seattle

5 employees with annual compensation of $550,000

Compensation Paid in Seattle	=	$550,000 X 1,536/1,920 (80%)	=	$440,000 per employee
Total Comp Paid in Seattle	=	$440,000 X 5 employees	=	$2,200,000

ALPHA CORP				
Payroll in Seattle (Prior Year)		**$ 12 Million**		
Payroll in Seattle (Current Year)		**$ 8.7 Million**		
Compensation	**Annual Salary**	**Payroll Exp**	**Rate**	**Tax**
$0 - $194,451.99	$3,500,000	$3,500,000	N/A	$0
$194,452 - $518,537.99	$6,000,000	$3,000,000	0.746%	$22,380
$518,538 and greater	$2,750,000	$2,200,000	1.811%	$39,842
TOTAL	**$12,250,000**	**$8,700,000**		**$62,222**

Tax Exemptions (2026)

- Businesses exempt from the payroll expense tax:
  - Business with Seattle payroll expense less than $9,074,409 **in the prior year (2025)**
  - 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
- Individual independent contractors whose compensation is included in the payroll expense of another business are also exempt
  - Prior slide “who is an employee”

Tax Exemptions (2026 tax year)

- Taxpayers with less than $9,074,409 in payroll expense in Seattle in the prior year (2025).
  - No returns due for the current year.
  - Even if employees with annual compensation of $194,452 or more paid in Seattle in current year.
- Taxpayers with $9,074,409 or more in payroll expense in Seattle in the prior year (2025).
  - Files a return. Could be a zero return if no employees with annual compensation of $194,452 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 2026, a non-profit healthcare entity may deduct compensation paid in Seattle to employees whose annual compensation = $194,452-$518,537.99.
- "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 Payroll Expense Tax is due and payable on a quarterly basis.
- 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

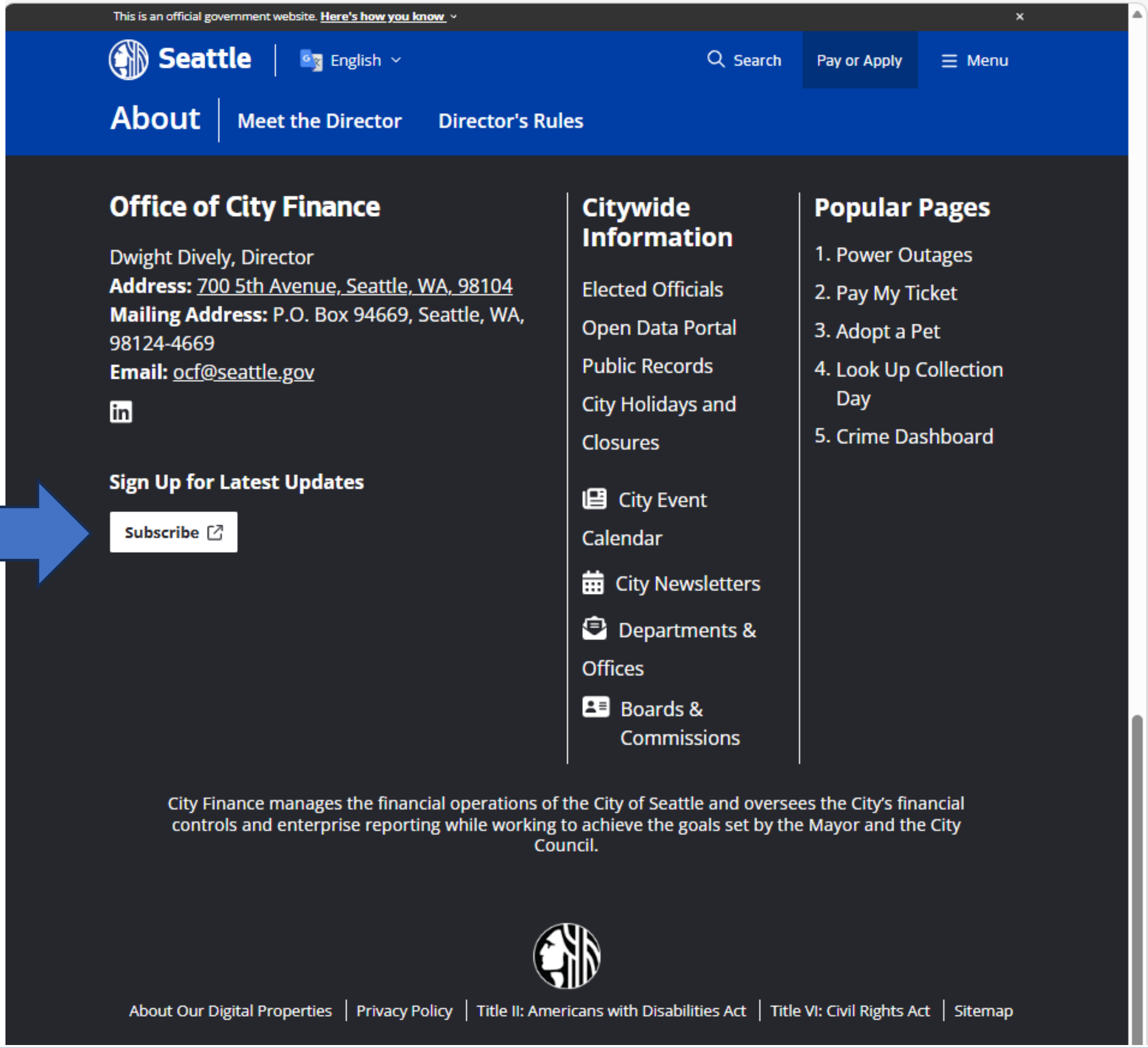
FileLocal Registration – What is Needed?

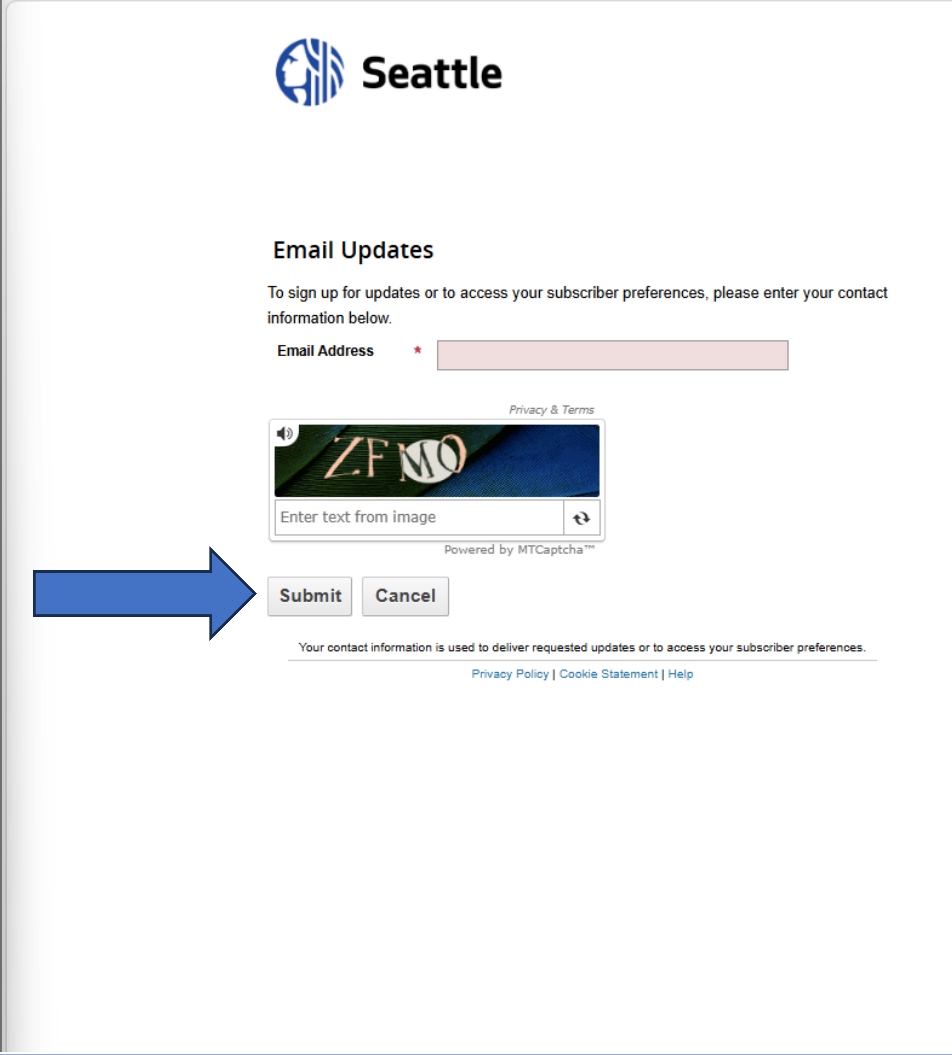
- Seattle account number and/or State of Washington UBI number.
- Businesses can locate these identification numbers on our website:
  https://www.seattle.gov/city-finance/business-taxes-and-licenses/find-a-licensed-business
- Example:

  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/





Manual Filing: Paper Form Example (2026)

Illustrative Purposes Only

Seattle
Office of City Finance

2026

CITY OF SEATTLE - PAYROLL EXPENSE TAX RETURN

To file this form electronically please go to: www.FileLocal-wa.gov

Business Legal Name ______________________ Filing Period (Quarter/Year) ______________________

Customer Number or UBI-16 ______________________

Method of Filing (Select One - Required)

Primarily Assigned Method ☐

Hours Method ☐

If no selection is made, the default is the Primarily Assigned Method

The tax rates are based on the amount of the business' annual Seattle-based payroll expense in the current calendar year and the amount of annual employee compensation of at least $194,452. There are three (3) tiers to select from based on the business' total annual payroll expense. **Please only complete the applicable section.**

Tier 1: Current Year Annual Seattle Payroll Expense Less Than $129,634,413

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
$194,452 - Less than $518,538				x 0.00746	
$518,538 or more				x 0.01811	

Tier 2: Current Year Annual Seattle Payroll Expense is $129,634,413 Or More, But Less Than $1,296,344,132

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
$194,452 - Less than $518,538				x 0.00746	
$518,538 or more				x 0.02024	

Tier 3: Current Year Annual Seattle Payroll Expense $1,296,344,132 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
$194,452 - Less than $518,538				x 0.01492	
$518,538 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 $194,452 to $518,538. See SMC 5.38.020 for definition of "non-profit healthcare entity".

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 2026 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 ❶	Column E Tax Due
Payroll expense of employees with annual compensation of $194,452 but less than $518,538	$4,250,321		$4,250,321	0.746%	$31,707.39
Payroll expense of employees with annual compensation of $518,538 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 $194,452 or more. ❶

Step 1 = Determine Payroll Expense Tax Due for the 2026 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	$30,140.64	0.746%	$4,040,300.27

Step 3 = reconciliation calculation identifying 2026 tax balance due and total compensation to Report on Q4 return

Q4 2026 Reconciliation Example: Tax Due

Tier 1: Current Year Annual Seattle Payroll Expense Less Than $129,634,413

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
$194,452 - Less than $518,538	$4,040,300.27		$4,040,300.27	x 0.00746	$30,140.64
$518,538 or more				x 0.01811	

Tier 2: Current Year Annual Seattle Payroll Expense is $129,634,413 Or More, But Less Than $1,296,344,132

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
$194,452 - Less than $518,538				x 0.00746	
$518,538 or more				x 0.02024	

Tier 3: Current Year Annual Seattle Payroll Expense $1,296,344,132 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
$194,452 - Less than $518,538				x 0.01492	
$518,538 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 $194,452 to $518,538. See SMC 5.38.020 for definition of "non-profit healthcare entity".

Total Tax Due:		$ 30,140.64
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:	$ 30,140.64

Calculated Q4 Payroll Expense Total from step 3 column E

Payroll Expense Tax balance due from step 3 column C

2026 tax balance due

Q4 2026 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 ❶	Column E Tax Due
Payroll expense of employees with annual compensation of $194,452 but less than $518,538	$3,050,321		$3,050,321	0.746%	$22,755.39
Payroll expense of employees with annual compensation of $518,538 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 $194,452 or more. ❶

Step 1 = Determine Payroll Expense Tax Due for the 2026 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 2026 tax balance due and total compensation to Report on Q4 return

Q4 2026 Reconciliation Example: Overpayment

Q3 2026 As-Filed Return

(input in Q3 2026 reconciliation worksheet step 2)

Tier 1: Current Year Annual Seattle Payroll Expense Less Than $126,247,176

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
$189,371 - Less than $504,989	$872,060.32		$872,060.32	x 0.00746	$6,505.57
$504,989 or more	$528,435.67		$528,435.67	x 0.01811	$9,569.97

Tier 2: Current Year Annual Seattle Payroll Expense is $126,247,176 Or More, But Less Than $1,262,471,758

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
$189,371 - Less than $504,989				x 0.00746	
$504,989 or more				x 0.02024	

Tier 3: Current Year Annual Seattle Payroll Expense $1,262,471,758 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
$189,371 - Less than $504,989				x 0.01492	
$504,989 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 $189,371 to $504,989. 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 2026 Reconciliation Example: Overpayment

Q3 2026 Amended Return

Q3 as filed tax paid = $16,075.54
Q3 total tax due - $10,099.18
Refund due = $5,976.36

Tier 1: Current Year Annual Seattle Payroll Expense Less Than $129,634,413

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
$194,452 - Less than $518,538	$476,419.57 ~~$872,060.32~~		$476,419.57 ~~$872,060.32~~	x 0.00746	$3,554.09 ~~$6,505.57~~
$518,538 or more	$361,407.51 ~~$528,435.67~~		$361,407.51 ~~$528,435.67~~	x 0.01811	$6,545.09 ~~$9,569.97~~

Tier 2: Current Year Annual Seattle Payroll Expense is $129,634,413 Or More, But Less Than $1,296,344,132

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
$194,452 - Less than $518,538				x 0.00746	
$518,538 or more				x 0.02024	

Tier 3: Current Year Annual Seattle Payroll Expense $1,296,344,132 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
$194,452 - Less than $518,538				x 0.01492	
$518,538 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 $194,452 to $518,538. See SMC 5.38.020 for definition of "non-profit healthcare entity".

Total Tax Due: $10,099.18

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~~

Refund Due: $5,976.36

Questions:

(206) 684-8484

tax@seattle.gov

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