



THE CITY OF SEATTLE - REVENUE and CONSUMER AFFAIRS

EMPLOYEE HOURS TAX (Seattle Municipal Code Chapter 5.37)

Please read the following very carefully before completing your Seattle Employee Hours tax return

All businesses are required to file the Employee Hours tax return even if the tax does not apply to the business. The Employee Hours Tax form is also available for filing on line @ <https://dea.seattle.gov/self/>.

What is the employee hours tax?

Effective July 1, 2007, persons and firms that engage in business within the Seattle city limits are subject to the employee hours tax. Calculation of the tax is based upon the number of employee work hours performed within the Seattle city limits. Vacation and sick leave hours are excluded from the calculation. There is a deduction for hours worked by employees who commute to work at least 80% of the time by other than single-occupancy vehicles.

The employees hours tax is in addition to the City's business and occupation tax.

What is the employee hours tax rate?

The tax rate is \$0.01302 per employee hour. Taxpayers may use the alternative computation method of \$25 per year for a full-time employee (one who works 1,920 or more hours per year).

Note: For 2007 only, businesses shall calculate the amount of the employee hours tax based only on employee hours worked from July 1 to December 31. For example, the 2007 tax amount for a full-time employee is \$12.50.

What businesses are exempt from the employee hours tax?

- Any business with an annual world-wide gross income of \$80,000 or less.
- Persons employed in private residences as domestic servants, gardeners, and maintenance and repair persons.
- Volunteers, and persons providing services in return for aid or sustenance from religious or charitable organizations.
- State and federal agencies and other government jurisdictions. The City of Seattle is required to pay the employee hours tax.
- Certain businesses are exempted from the tax by state or federal regulations, including insurance businesses; businesses that **only** sell, manufacture, or distribute motor vehicle fuel; and businesses that **only** sell or distribute liquor.

Who is considered an employee for the purpose of calculating the tax?

All individuals working for compensation in a business are considered employees. This includes owners, partners, officers of the corporation, and sole proprietors. Stockholders who passively receive dividends on their investment are not considered employees.

Note: The definition of an employee in SMC Section 5.37.020 was amended in December 2007 through Ordinance 122561.

What is the employee hours tax credit?

All businesses that report the employee hours tax shall receive a credit of up to \$50 on the amount of tax due. The amount of the credit may not exceed the total tax due.

Which employees qualify for the commuter deduction?

When computing the number of employees or employee hours subject to this tax, businesses may deduct the hours for those employees who commute to work at least 80% of the time by other than single-occupancy vehicle. Commuting methods eligible for the deduction include use of mass transit, carpooling, walking, and/or bicycling. Telecommuters and people who work out of home offices may also qualify for the commuter deduction. The City has a worksheet for businesses to use to calculate the deduction and the tax amount.

How will the City use the employee hours tax revenue?

Revenue from the employee hours tax will be used by the City only to fund the maintenance and improvement of local transportation infrastructure.

When is the tax due?

Businesses shall report and pay the employee hour tax annually, at the same time as they report their fourth quarter or annual business tax returns. The due date is January 31 in the year following the reporting period. Businesses are required to use the tax reporting form provided by the City.

What if I discontinue or close my business prior to the end of the calendar year?

Businesses that close or cease business prior to the end of the calendar year shall report and pay the employee hours tax at the same time their final Seattle business tax return is due.

What about home offices and telecommuters?

Taxpayers who work out at home and do not commute to another workplace qualify for the commuter deduction. Employees who telecommute from home more than 80% of their work hours also qualify for the commuter deduction.

What is the legal basis for the employee hours tax?

Ordinance 122191 as amended by Ordinance 122561. The law is codified as SMC Chapter 5.37.

HAVE QUESTIONS? -- CALL EARLY!

The department receives hundreds of information calls the last week prior to the due date of the quarterly tax returns. To insure we are able to adequately answer your questions, please do not wait until the last few days. If you leave a message, please give us your customer number, name, phone number, and the best time to reach you. YOUR CALL WILL BE RETURNED.

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