



Seattle Tax Advisory Group

Date: Tuesday, March 5, 2024
10:00 am

Location: Microsoft Teams

Attendees:

Joseph Cunha, Tax Administrator, City of Seattle

Mark Watterson, Tax Audit Manager, City of Seattle

Kevin Guichon, Tax Policy Analyst, City of Seattle

Marsha McLean, State & Local Tax Compliance Manager, Weyerhaeuser

Sharon Wismeth Johnson, Director, Global Indirect Tax, Starbucks

Minutes:

1. Welcome / Introductions

-n/a-

2. 2024 Legislative Session—

- Mark Watterson
 - I-2111-(concerning taxes on personal income) passed the House and the Senate. I-2111 will become effective 90 days after the close of the 2024 legislative session.
 - ESSB 5334 allows the legislative authority of a county or city to impose an excise tax on the sale of lodging of short-term rentals through a short-term rental platform at a rate of up to 10 percent, with revenue from the tax used for the operation and capital costs of affordable housing programs.
 - As of March 5, 2024, ESSB 5334 remains in the House Rules Committee.
 - March 1, 2024, was the last day that the House could consider passing ESSB 5334 unless the House decides to incorporate it into a bill concerning the 2024 supplemental budget.
- Joseph Cunha
 - Joseph clarified that the City of Seattle receives revenue from the King County Public Facilities District raised by a special excise tax upon the sale of short-term lodging for the purpose of funding the Seattle Convention Center.
 - Even if the Washington State Legislature enacts ESSB 5334 the City of Seattle may not enact its own, independent, short-term lodging excise tax.

- City of Seattle Initiative I-137
 - Social housing is a distinct and separate type of public housing.
 - I-137 is a local initiative sponsored by the nonprofit group Let's Build Social Housing.
 - The Seattle social housing initiative refiled as I-137 imposes a 5% Payroll Expense Tax surcharge to raise revenue to fund social housing.
 - Jamie Carnell – I-137 adds a direct tax as another layer to the payroll expense tax -same definitions that apply to the Payroll Expense Tax will apply to the proposed surcharge proposed by I-137.
 - Joseph Cunha – I-137 proposes to impose a tax on businesses in the amount of “5% of the excess compensation paid in Seattle for each employee of the taxpayer.” I-137 defines “excess compensation” as “annual compensation to an employee in excess of \$1,000,000.”
 - Let's Build Social Housing must collect at least 26,520 valid signatures no later than Monday, August 19, 2024, and complete other procedural requirements prior to the certification of I-137 to City of Seattle voters.
 - Sharon Wismeth Johnston asked how many cities have enacted highly paid CEO taxes?
 - Joseph Cunha answered that San Francisco and Portland had each enacted their own versions of a highly paid CEO tax.
 - Joseph explained that San Francisco's highly paid CEO tax is a surcharge upon San Francisco's gross receipts tax.
 - In Congress, Senator Bernie Sanders, among others, have sponsored highly paid CEO taxes.¹
 - Other than the highly paid CEO taxes enacted in Portland (2016) and San Francisco (2020), our research has revealed no federal, state, or local government who has enacted a highly paid CEO tax.

3. Payroll Expense Tax education -

- Mark Watterson –
 - January 17, 2024, the City presented the Q1 2024 Payroll Expense Tax training.
 - One hundred and three persons attended the training.
 - City Finance intends to continue to offer quarterly Payroll Expense Tax training so long as interest in receiving the training remains strong.

4. Payroll Expense Tax Q4 Return and Reconciliation Worksheet

- Mark Watterson
 - On its website the city has published the Payroll Expense Tax 2023 quarterly filing form and 2023 Q4 reconciliation or “true-up” worksheet. [Payroll expense tax - City Finance | seattle.gov](#)

¹ See e.g., S.3176, Curtailing Executive Overcompensation Act of 2023; H.R. 6191 Curtailing Executive Overcompensation (CEO) Act.

- For 2023 Q4, City Finance embedded the Payroll Expense Tax reconciliation worksheet into both the online tax forms and the hard copy .pdf Payroll Expense Tax forms.
- Sharon Wismeth Johnston commented that Starbucks prefers to file taxes online. However, they do appreciate the availability of the .pdf, which a taxpayer can print to verify the information being filed.

5. Open items / questions

- Sharon Wismeth Johnston
 - Sharon stated that she is aware that the Washington State Department of Revenue (DOR) is engaging in a study concerning city sourcing of income derived from royalties. She asked whether the city is working with DOR on this issue?
- Joseph Cunha responded that a couple of years ago Washington State cities had been engaged in an effort to address the sourcing of income derived from royalties. At that time, cities could not reach a unanimous agreement on this issue. While the royalty income sourcing issue has not yet reached resolution, the cities are continuing to pursue the matter. At the next meeting of the Tax Advisory Group, the city may have updated information to share.