

Employer Tax Recommendations

Below are three ways of structuring an Employer Tax that seem likely to land in the ballpark of \$75 million per year, given the information at our disposal. See Appendix B for more detail on the assumptions involved in these calculations.

Option 1:

\$10 million per year gross revenue exemption threshold

- Firms with 1-100 FTE employees pay 0.25% of all payroll (avg. \$0.078/hr)
- Firms with 101-500 FTE employees pay 0.50% of all payroll (avg. \$0.156/hr)
- Firms with 501+ FTE employees pay 0.75% of all payroll (avg. \$0.234/hr)
- Firms with gross revenue between \$500,000 and \$5 million pay \$200/year

Option 2:

\$8 million per year gross revenue exemption threshold

- Firms with 1-500 FTE employees pay \$200/FTE/year (\$0.104/hr)
- Firms with 501+ FTE employees pay \$450/FTE/year (\$0.234/hr)
- Firms with gross revenue between \$500,000 and \$8 million pay \$200/year

Option 3:

\$8 million per year gross revenue exemption threshold

- Firms with 1-500 FTE employees pay \$140/FTE/year + 0.1% of all payroll
- Firms with 501+ FTE employees pay \$300/FTE/year + 0.25% of all payroll
- Firms with gross revenue between \$500,000 and \$8 million pay \$200/year

These are our preferences in order of what we suspect to be most progressive and equitable, given the allowed variables.

As long as the revenue generated stays at \$75 million, we support adjustments to the specific exemption thresholds and tax rates, if such adjustments are warranted by a more detailed analysis of the impacts on different types and sizes of businesses. Adjustments should follow the principles outlined in our recommendations.

We understand that Council must weigh other factors including legal authority in deciding how to structure the tax. We support a tax that can be imposed as of January 1, 2019, as specified in Resolution 31782.

Council could also consider a hybrid “employer’s choice” model as described in **Appendix B**, if for any reason this seems preferable to the options above.