

BUSINESS LICENSE TAX

Business Transportation, Employee Hour Tax or 'Head' Tax for companies with employees working in Seattle:


Who? This tax will impact your company financially if you have employees working in the City of Seattle who commute by driving a single occupancy vehicle (SOV). Businesses with more than one place of business must use the same method of calculation for all places of business.

What? The City of Seattle implemented a new tax in 2007 called the Business Transportation Tax or 'head tax' (Ordinance # 122191).

Where? This tax imposes a tax on businesses whose employees work in the City of Seattle, regardless of the location of the business is within or outside of the City.

When? July of 2007. This tax needs to be reported and paid on an annual basis; at the same time as the fourth quarter or annual tax return is due. If business activities are discontinued in Seattle the business will report and pay the tax at the same time as their final business tax return is due.

Why? The amount of the employee hour's tax shall be equal to the employee hours worked within the City during the calendar year (minus sick leave and vacation) multiplied by the rate of \$0.01302. If an employee works both in and out of the City, it is the responsibility of the business to calculate and report the number of hours worked within the City. (*A calculation worksheet is provided on p. 2 and 3 of this summary.*)

A business can choose to calculate its annual employee hours tax based on the number of full time equivalents (FTEs) as an alternative to the hours calculation. The tax is computed on the number of full time employees (in a calendar year), plus the sum of the hours worked by part-time employees in the calendar year divided by 1,920 hours. For example, if you have 20 FTE's your employee head tax for the year would be \$500. This tax is further described [here](#). [.PDF 32kb]

Deductions? There are some deductions and exemptions available such as businesses with gross annual worldwide income of less than \$50,000. A complete list of the exemptions and deductions is available (ordinance 122191) at <http://clerk.ci.seattle.wa.us/>.

There is also a \$50.00 credit for all businesses reporting and paying the employee hour's tax.

Businesses can reduce the head tax due by encouraging employees to commute by transit or other alternate modes and taking the applicable deductions.

EMPLOYEE HOURS TAX COMPUTATION WORKSHEET

Legal Name: _____

Customer No.: _____

Instructions for completing the worksheet (Please read carefully)

1. This worksheet is designed to assist you in calculating your employee work hours and number of employees (or Full Time Equivalents (FTEs)) that are subject to the employee hours tax. Use this form to compute the tax and decide which tax computation method you will use. Except for the opening and closing years of business, you will be required to select and use one method unless you receive permission from the director to change to the other method. **Please submit a completed copy of this worksheet with the Employee Hours Tax form.**

2. **Employee work hours exclude vacation and sick leave hours.**

3. **To qualify for a deduction from the employee hours tax, 80% or more of the employee's roundtrip commute trips must be made using a qualifying commute mode.** An alternative work schedule or compressed work week such as four "10 hour days," which reduces the number of roundtrip commutes by one trip a week will equal one roundtrip using an alternative commute mode. Another example of an alternative work week is a 9/80 schedule - A person working 9 days in 2 weeks would receive credit for 1 day for each 2 week period as an alternative commute mode.

4. If an individual employee qualifies for a deduction, then all of that individual's work hours are exempt from taxation.

5. If an employee only spends part of their work hours in Seattle and works elsewhere also, then the employee is a transient employee and only their Seattle hours should be included in the part-time employee calculation.

6. If you complete this form electronically, the worksheet will calculate the tax automatically as the number of employees and hours are input. Any initial values displayed will change as you input data.

Computing Employee Hours and Full-time Employees/Equivalents

I. Full-Time Employee Hours Line Employees Work Hours

1 Total number of full-time employees and their total number of work hours. 1 _____

2 Number of full-time employees (and their total number of work hours) that 2 _____

qualify for a deduction by using public transportation (e.g., buses, rail, and ferry service as a "walk-aboard") carpools, registered vanpools, or non-motorized commutes (e.g., walking, biking, alternative work week or compressed work schedules).

3 Subtract line 2 from line 1. Total number of taxable full-time employees 3 _____ and their total work hours.

Complete the worksheet on page 2

Form: EHT-original 7/2007 Page 1 of 2

City of Seattle – Revenue & Consumer Affairs
700 5th Ave Suite 4250
P.O. Box 34214
Seattle, WA 98104-5020
(206) 684-8484

II. Part-Time (or Transient) Employee Hours and FTE Calculation Line Employees Work Hours

4 Total number of part time employees and total number of their work hours. 4 _____

5 Number of part time employees taking public transportation (e.g., buses, 5 _____

_____ rail, and ferry service as a "walk-aboard") using carpools, registered vanpools, non-motorized commutes (walking, biking, alternative work week or compressed work schedules).

6 Subtract line 5 from line 4. **Total number of taxable part-time 6 _____ employees and their total work hours.**

7 Divide the number of Work Hours in line 6 by 960 hours.* 7 _____ (Round up to the nearest whole number) **This is your full-time equivalent.**

Calculating the Employee Tax Hours (choose one method)

III. Tax Calculation using Employee Hours Method

8 Add work hour amounts from lines 3 and 6. **This is your total number 8 _____ of taxable paid hours worked by employees.**

9 **Gross tax due.** Multiply line 8 by the employee hours tax rate of \$0.01302. 9 \$ _____

10 Take tax credit of up to \$50. (*Credit may not be more than gross tax due 10 _____ in line 9.*) Every taxpayer is eligible for this credit.

11 Subtract line 10 from line 9. **Total employee hours tax due.** 11 \$ _____

IV. Alternative Tax Calculation using Full-Time Equivalent Method

12 Add employee amounts from lines 3 and 7. This is your total number of 12 _____ full-time employees and part time FTEs subject to tax.

13 Gross tax due. Multiply line 12 by the FTE tax rate of \$12.50.* 13 \$ _____

14 Take tax credit of up to \$50. (*Credit may not be more than gross tax due 14 _____ in line 13.*) Every taxpayer is eligible for this credit.

15 Subtract line 14 from line 13. **Total employee hours tax due.** 15 \$ _____

**For 2008, you will have to download a new worksheet with computations for a full year.*

This worksheet is NOT the Employee Hour Tax form.

FAILURE TO SUBMIT THE TAX FORM WILL RESULT IN A DELINQUENCY.

Please submit a COPY OF THIS WORKSHEET with the tax form.

If you have not received the Employee Hours Tax form, please call or send an email request within two weeks prior to the due date, to avoid penalties and interest.

email address: rca.bizlict@seattle.gov Information line: (206) 684 – 8484

For additional answers to frequently asked Employee Hour Tax questions, please select the link below.

<http://www.seattle.gov/rca/taxes/EmployeeHoursTax.htm>