

Perceptions of an Employee Head Tax Among Some Local Businesses in the City of Seattle



**PATINKIN
RESEARCH
STRATEGIES**



- **An online survey of 476 City of Seattle businesses was conducted via Survey Monkey.**
- **The survey included owners and partners of businesses operating within the City of Seattle as well as employees of businesses within the City of Seattle who make financial decisions for the business.**
- **This analysis includes partial data from the Survey Monkey survey collected from April 26th-May 3rd, 2018.**
- **Since the survey was conducted online using an opt-in format we cannot assume the data is reflective of Seattle business owners and partners as a whole.**



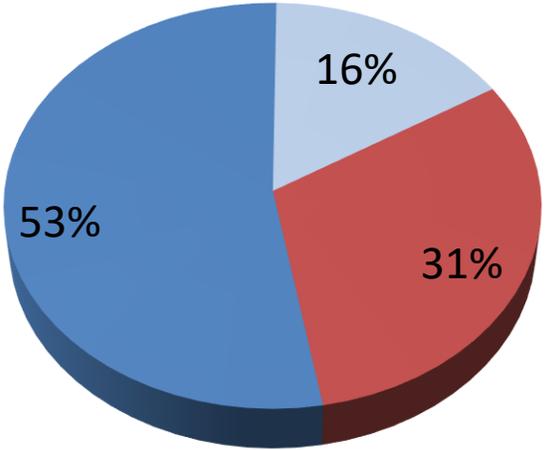
Respondent Demographics



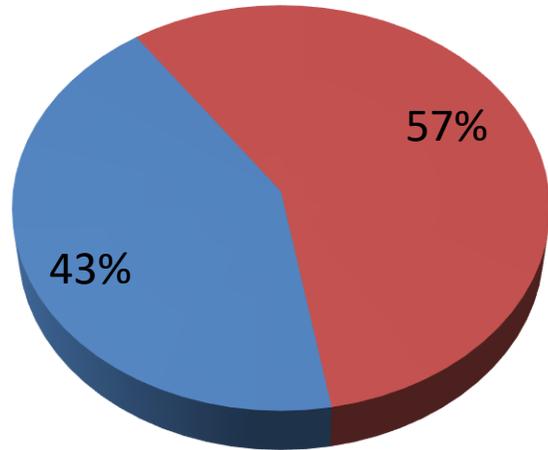
Over two-thirds indicate they are either the owner or partner in a business that operates in the City of Seattle



Of those who are neither, four-in-10 are responsible for making financial decisions for their business.



- Yes, owner
- Yes, partner
- Neither an owner or partner

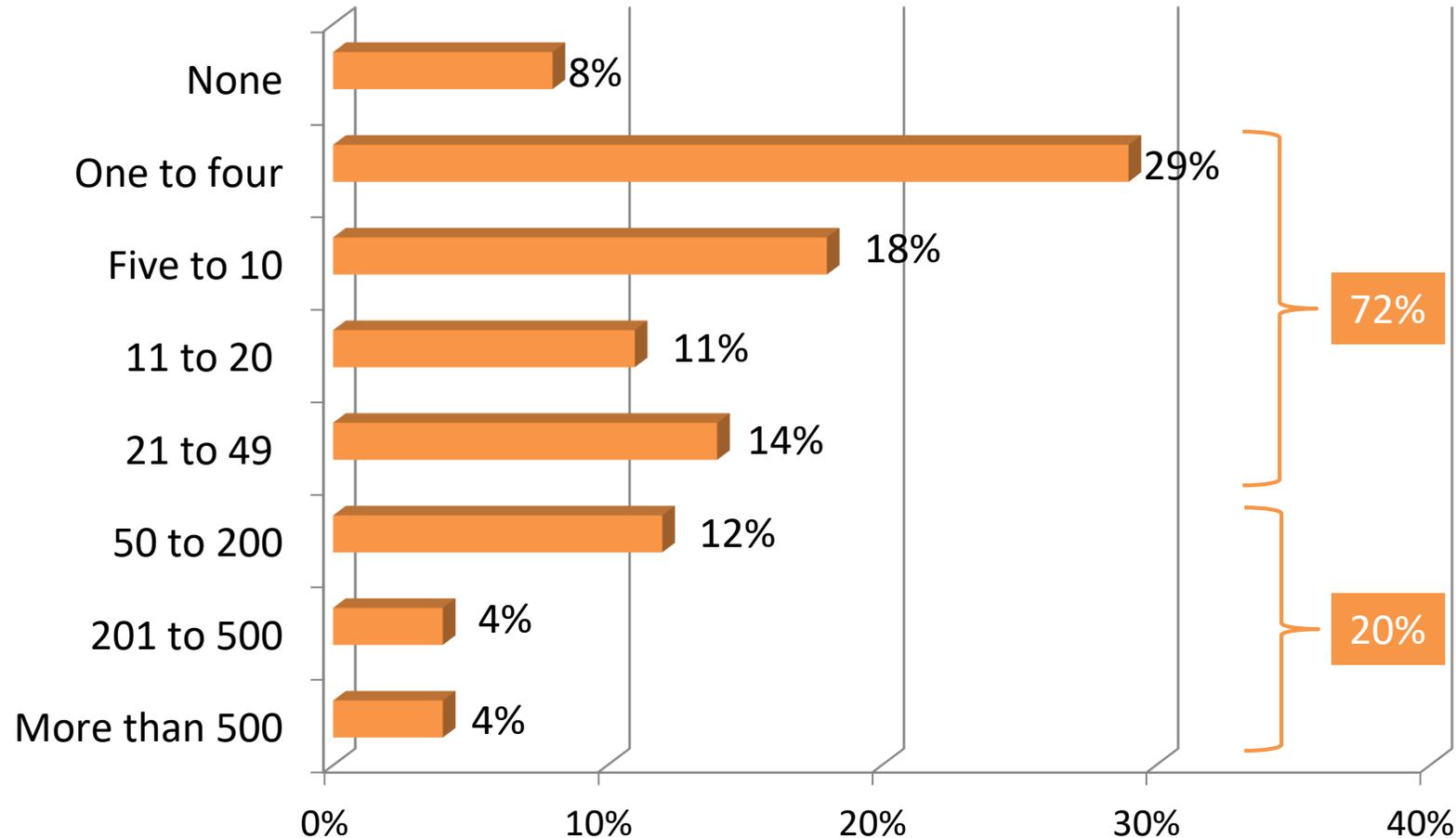


- Yes
- No

First, we need to know whether you're the owner or a partner in a business that operates in Seattle?
[n=476]

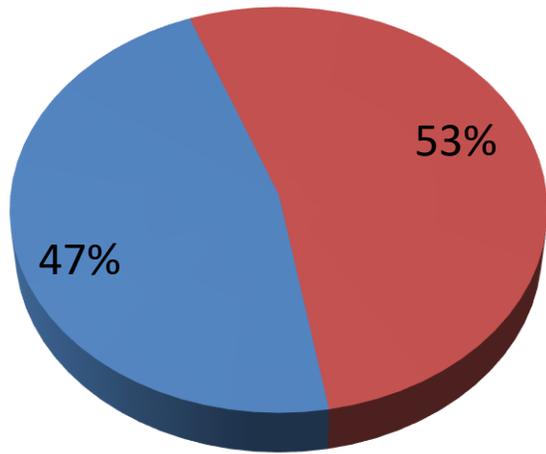
Do you make financial decisions for your business?
[NOTE: Asked only among those who indicated they were not a business owner or partner; n=139; Respondents who answered "no" in Q2 were terminated from the survey]

Company size based on number of employees:



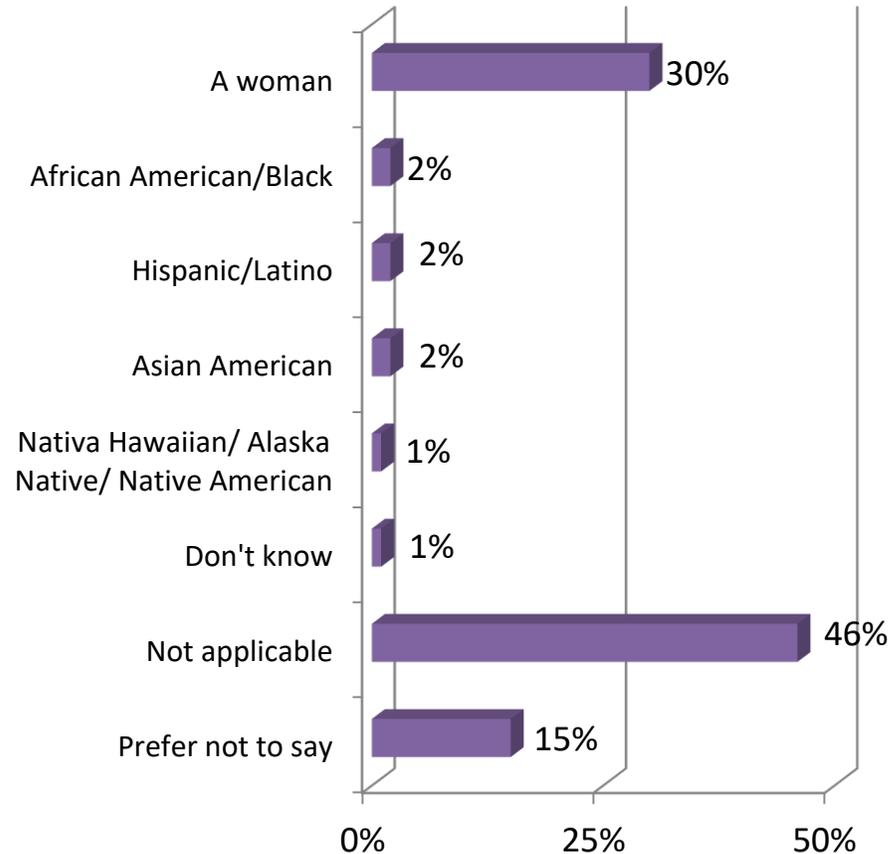
How many employees does your company or organization currently employ in the City of Seattle? Please estimate the number of full-time equivalent employees (FTES). [n=371; Note: Respondents who answered “none” in Q3 were terminated from the survey]

Nearly half report qualifying as a WMBE



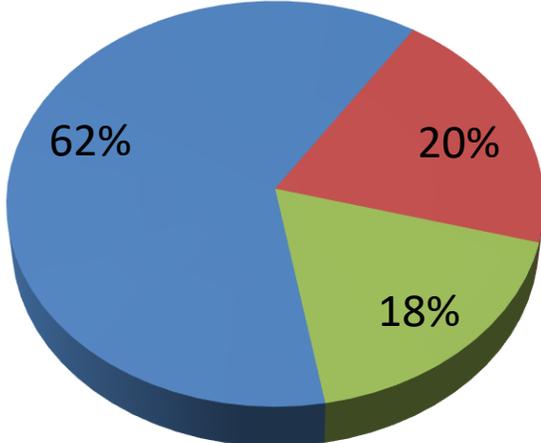
■ Yes
■ No

Is your company a minority-owned or woman-owned business? [n=336]



If your company is a minority-owned or woman-owned business, is your status as a WMBE based on the owner being: [n=275]

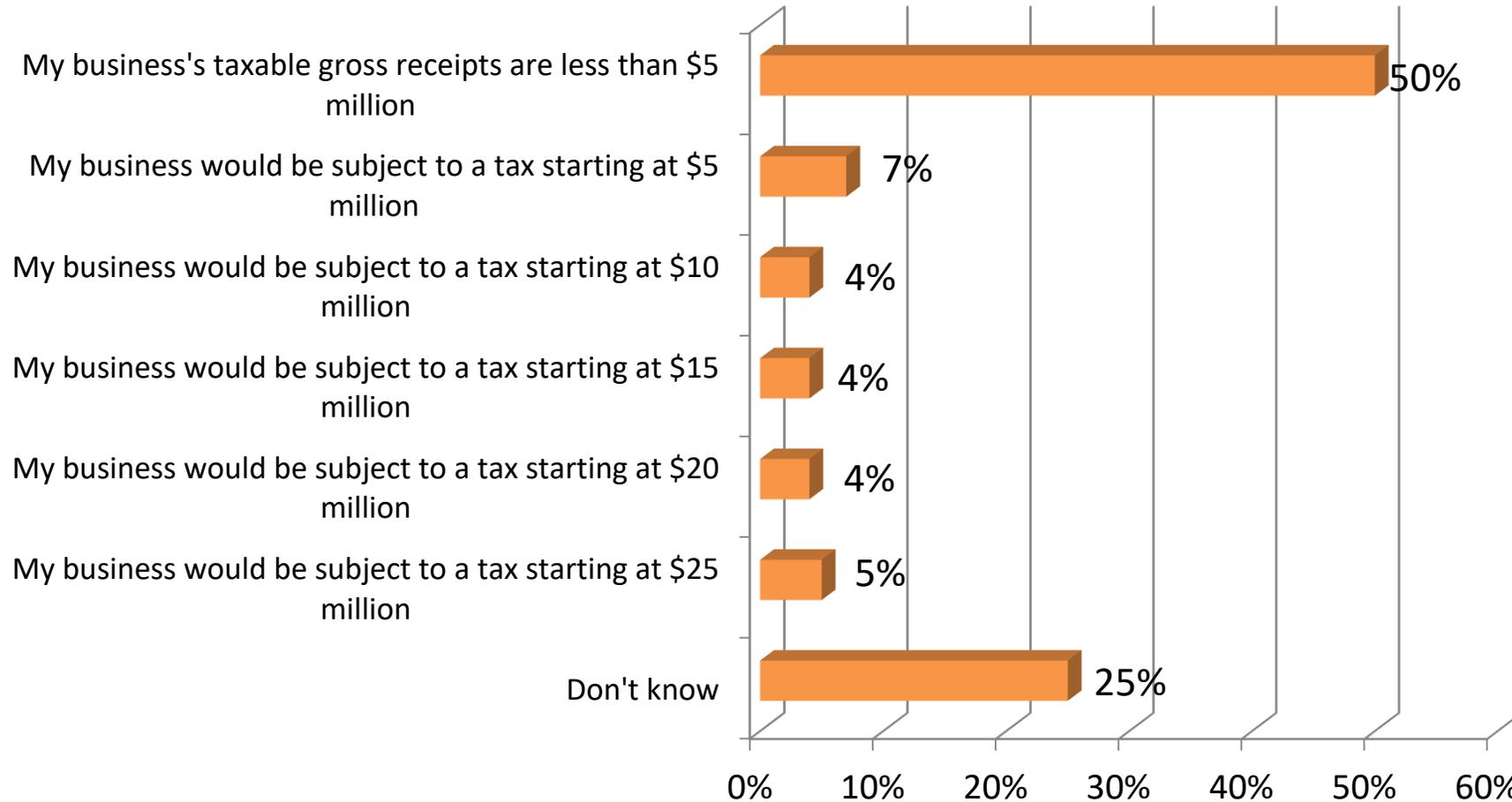
Six-in-10 are small businesses as defined by the SBA, the State of Washington, or King County



- Yes
- No
- DK/NA

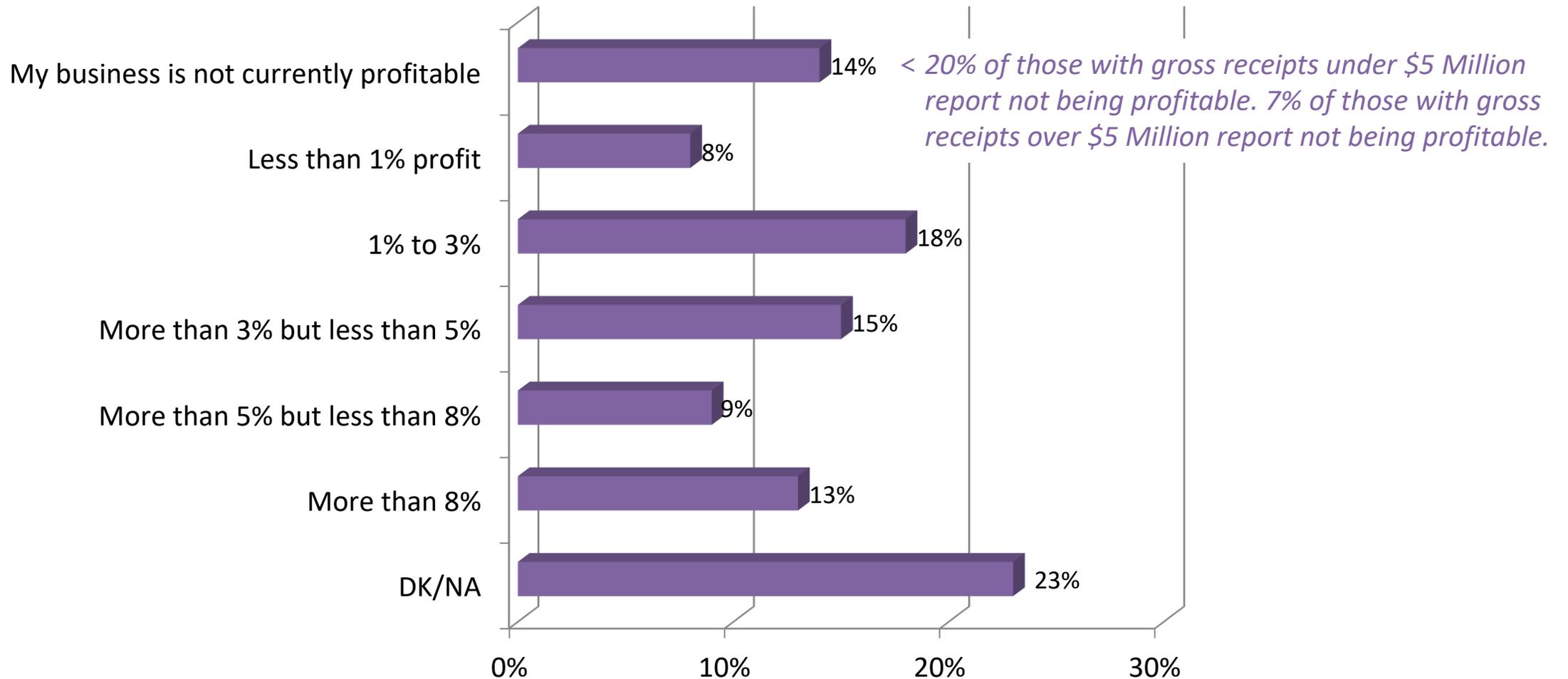
Is your company a small business as defined by the federal Small Business Administration, by the State of Washington, or by King County? [n=336]

Gross receipts information:



Some people have proposed different levels of taxable gross receipts below which businesses would not have to pay the per employee tax. Knowing your company's typical annual gross receipts earned in the City of Seattle, at what point would your business be subject to the tax: [n=287]

Profit margins:



To the best of your knowledge, what are your business's annual profit margin? Is it ...
[n=275]

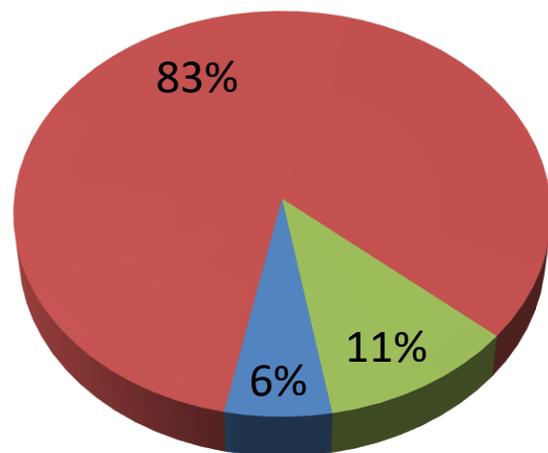


Perceptions of Homelessness and the Cost of Housing in the City of Seattle

Eight-in-10 think things in the City of Seattle are off on the wrong track



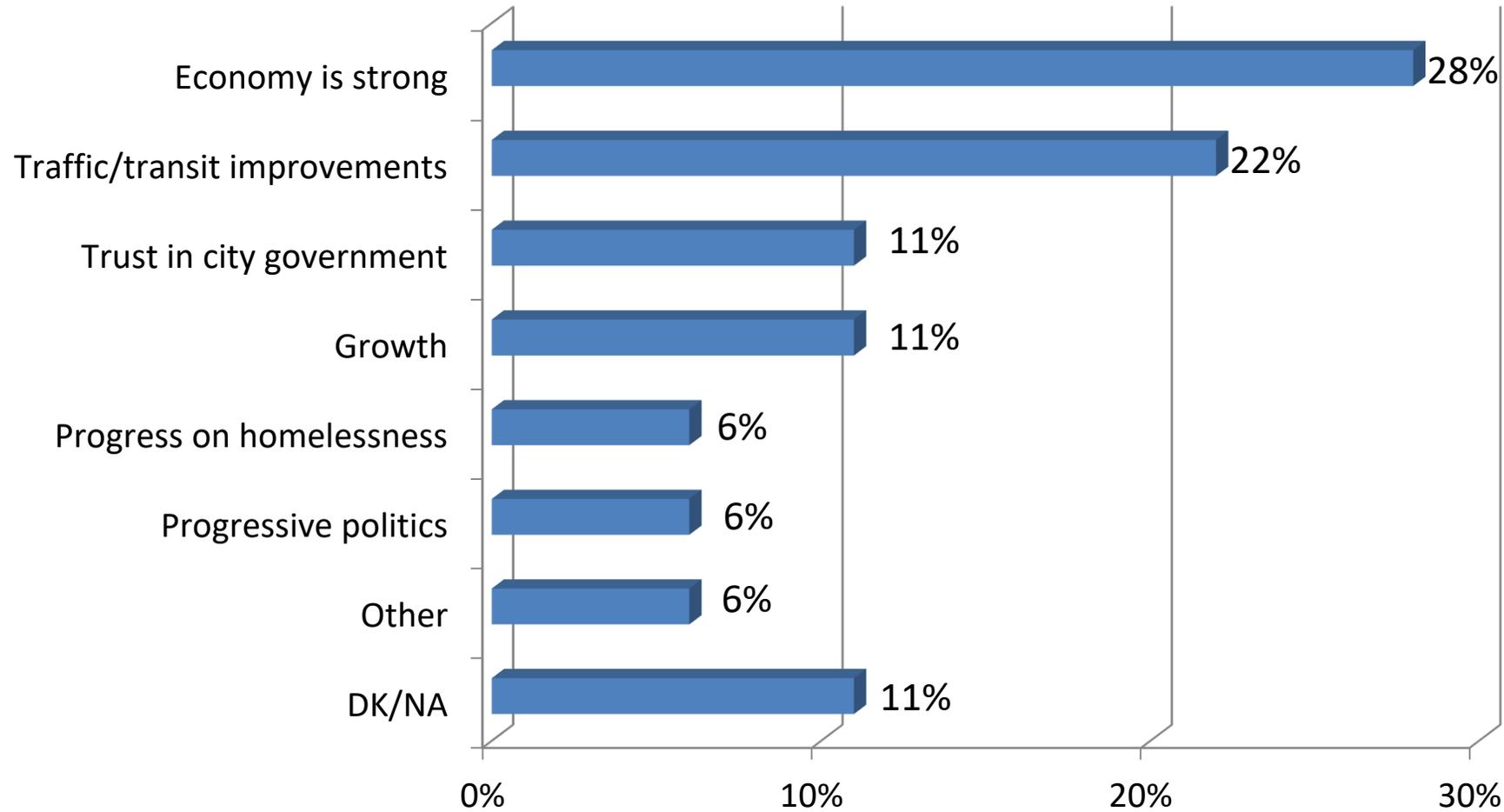
Fewer than one-in-10 believe things are moving in the right direction.



- Right direction
- Wrong track
- Not sure

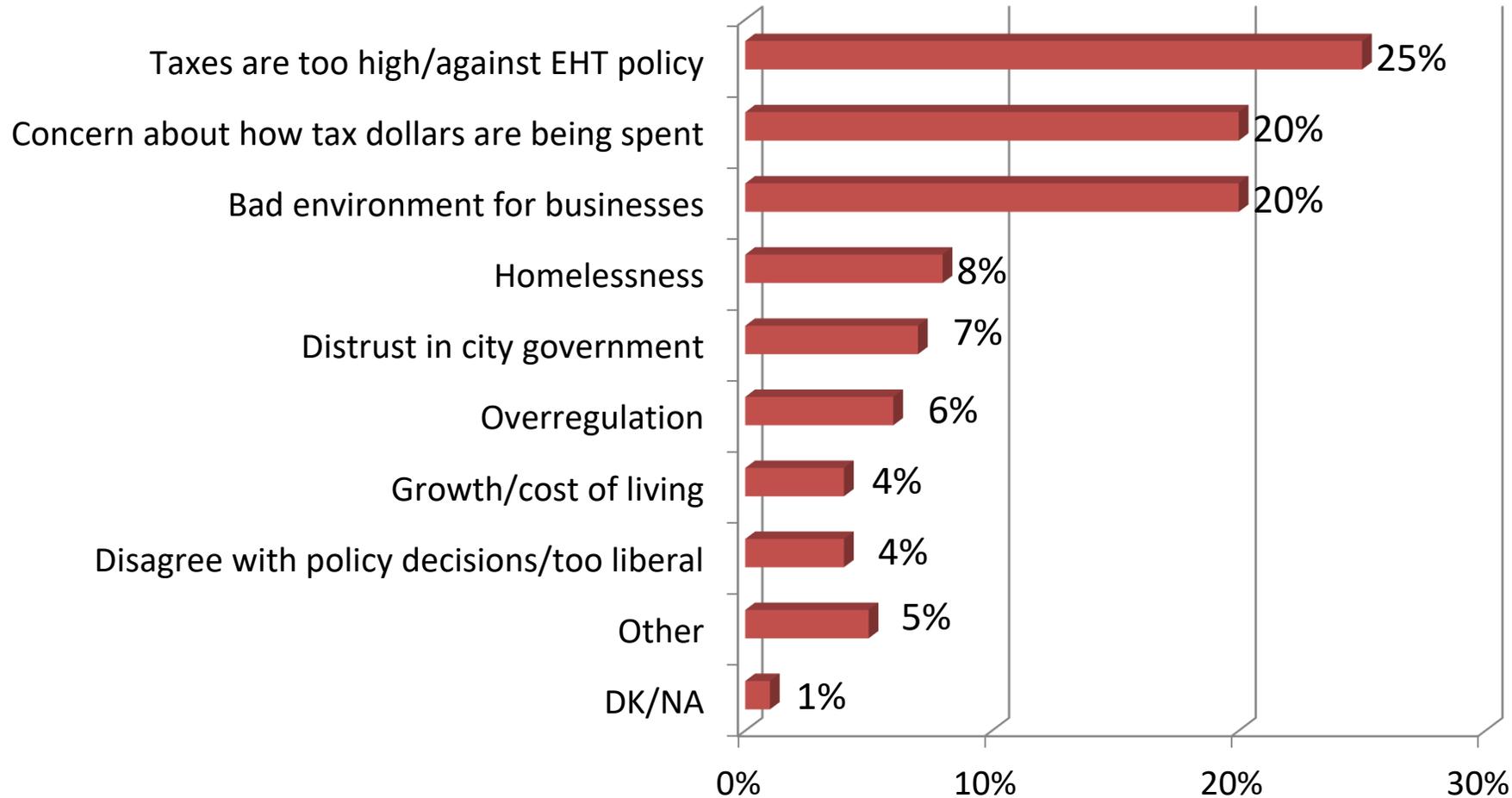
Generally speaking, do you think things in the City of Seattle are moving in the right direction or are they off on the wrong track? [n=334]

Why respondents feel that things are moving in the right direction:



What makes you feel that things are moving in the right direction? [n=18]

Why respondents feel that things are off on the wrong track:



< Concerns with how tax dollars are being spent are disproportionately high among those with gross receipts over \$5 Million (26%). Those with receipts under \$5 Million are at 16%

< Homelessness is a bigger concern among those with gross margins under \$5 Million (10%) than those over \$5 Million (5%).

What makes you feel that things are off on the wrong track? [n=265]

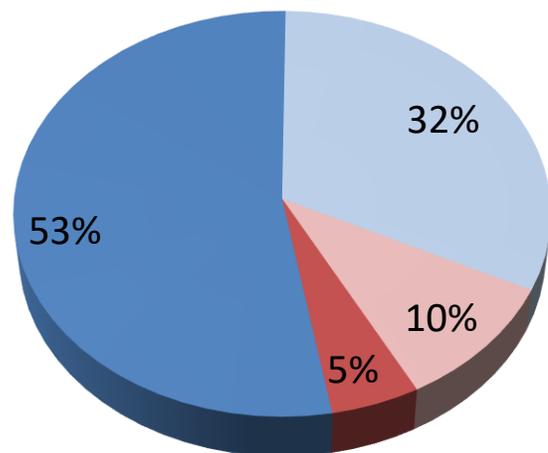
A majority are very concerned about the rising cost of housing in the City of Seattle



Around a third are “somewhat concerned.”

Most likely to be “very concerned”

Favor EHT policy	83%
Gross receipts under \$5 Million	66%
WMBE	63%
Business owners	58%
All respondents	53%



- Very concerned
- Somewhat concerned
- Not too concerned
- Not concerned at all
- DK/NA

Most likely to be

“somewhat concerned”

Business partners	44%
Gross receipts over \$5 Million	44%
Company 50+ FTE	40%
Profit margin less than 3%	39%
Non-WMBE	37%
All respondents	32%

How concerned are you about the rising cost of housing in the City of Seattle? [n=321]

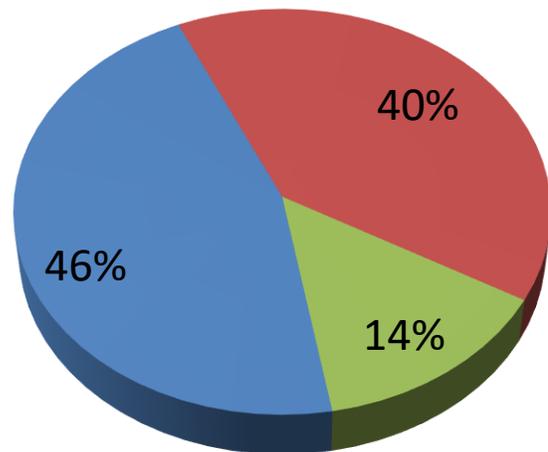
Just under half indicate that the rising cost of housing has negatively impacted their business



Four-in-10 indicate that it has not.

Most likely to say "yes"

Favor EHT policy	68%
WMBE	57%
Profit margin less than 3%	56%
Gross receipts under \$5 Million	53%
Small businesses	52%
All respondents	46%



- Yes
- No
- DK/NA

Most likely to say "no"

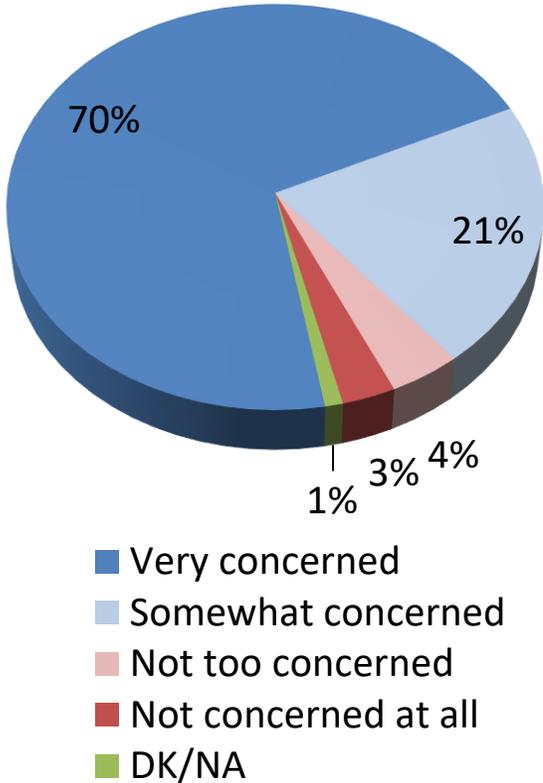
Gross receipts over \$5 Million	51%
Non-WMBE	48%
Oppose EHT policy	46%
All respondents	40%

Has the rising cost of housing in the City of Seattle negatively impacted your business? [n=320]

Seven-in-10 are “very concerned” about the number of people experiencing homelessness in Seattle

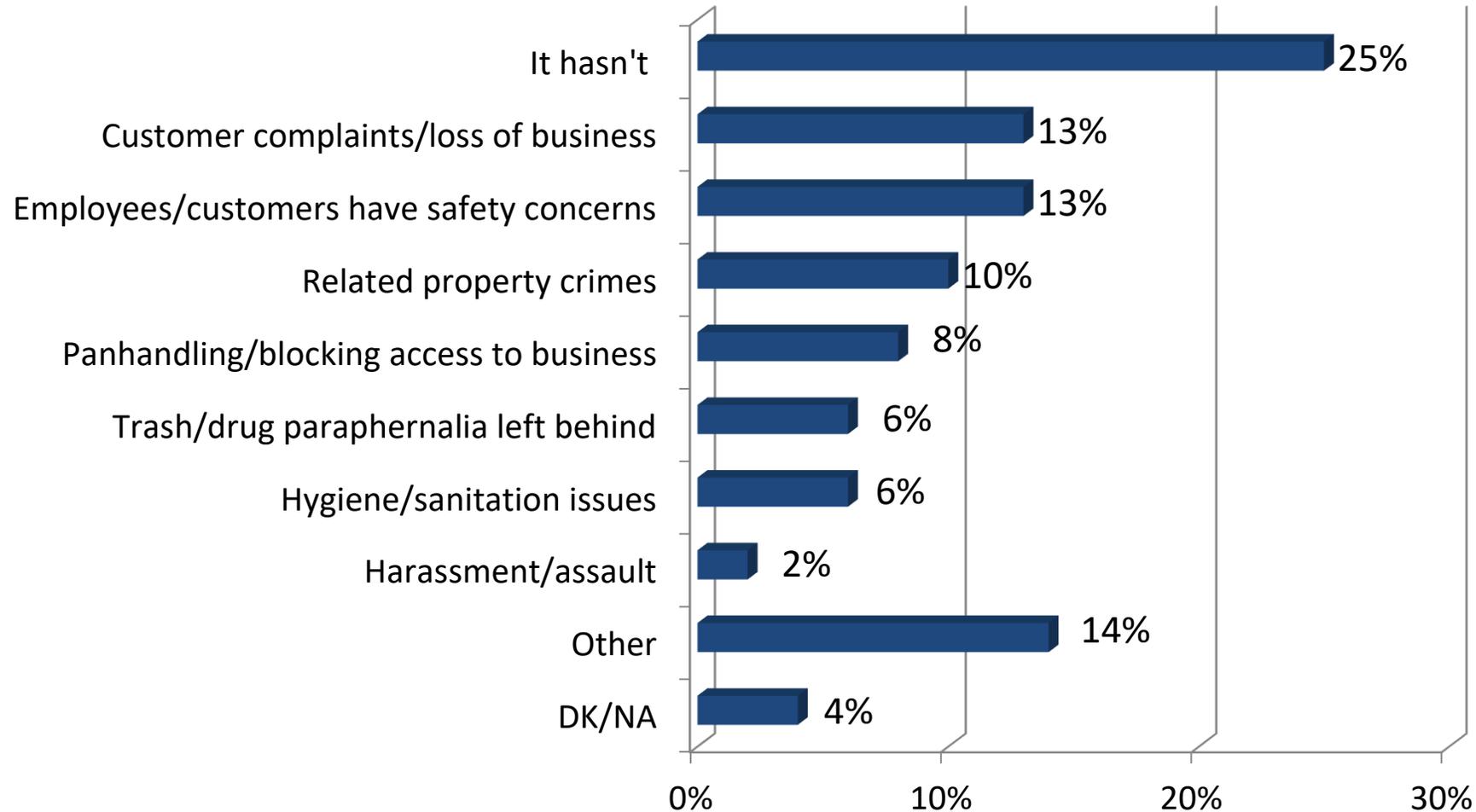


Nine-in-10 are at least “somewhat concerned” about the rise in homelessness.



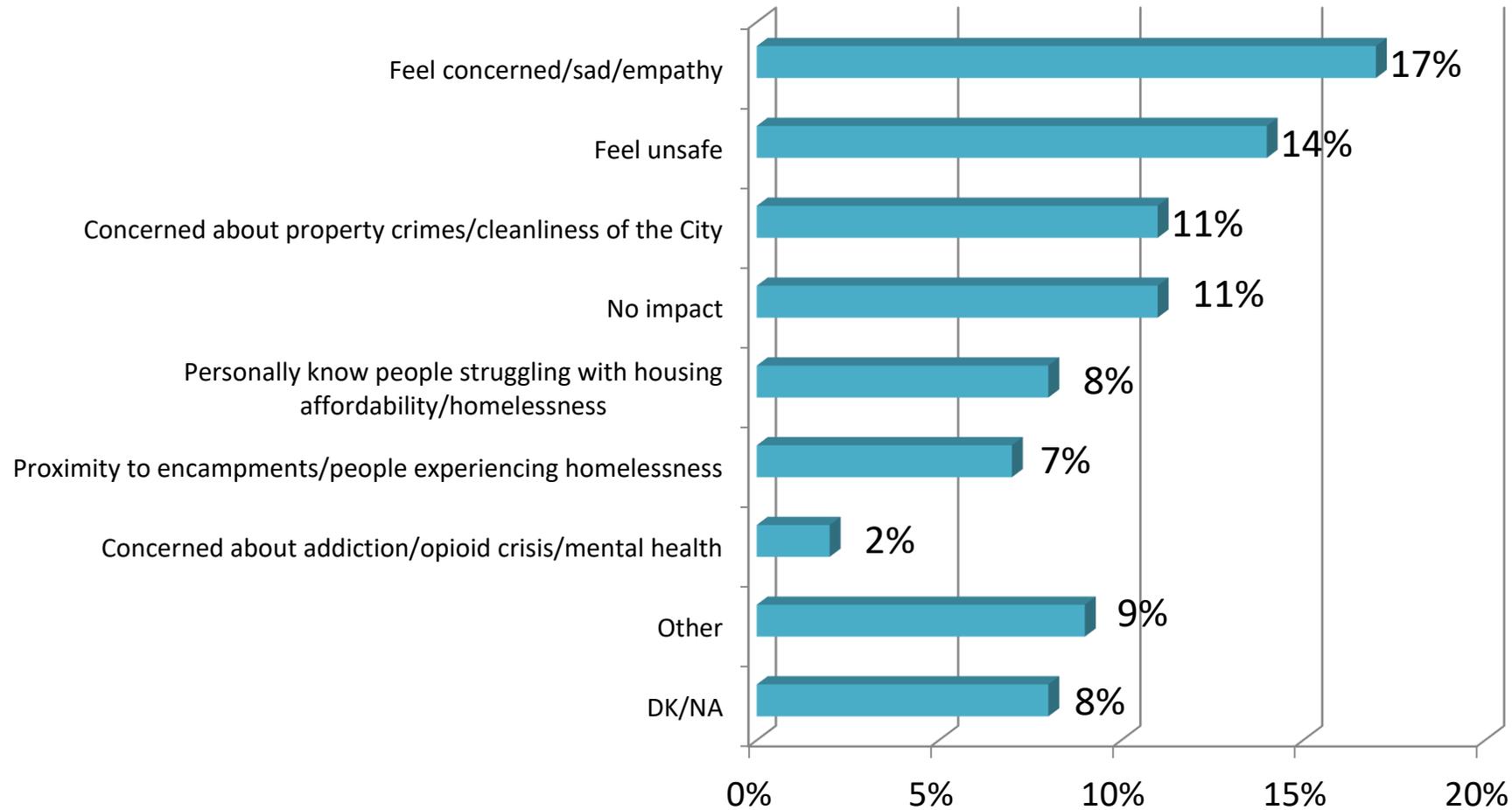
How concerned are you about the increasing number of people experiencing homelessness in the City of Seattle? [n=318]

How homelessness is impacting business operations:



How, if at all, does homelessness impact your business's operations? [n=297]

How homelessness is impacting respondents personally:



How, if at all, does homelessness impact you personally? [n=298]

After receiving more information about the housing crisis there is a slight decrease in concern about the rising cost of housing



“Rising cost of housing”	1 st Ask	2 nd Ask	Change
Very concerned	53%	51%	-2
Somewhat concerned	32%	29%	-3
Not too concerned	10%	10%	-0-
Not concerned at all	5%	10%	+5
DK/NA	0%	1%	+1

Last year, the annual “Count Us In” census counted 3,857 individuals sleeping outside, in addition to the 4,665 people staying in shelters or transitional housing. Further, 40% of households who rent housing in Seattle spend more than 50% of their income on housing costs.” The biggest impediment to the success of Seattle’s shelter and homelessness service investments is the shortage of affordable units, estimated to be roughly 19,500 units short of the total need. Having heard this, let me ask you again: How concerned are you about the rising cost of housing in the City of Seattle? [n=296]

There are also small shifts in level of concern about the number of people experiencing homelessness



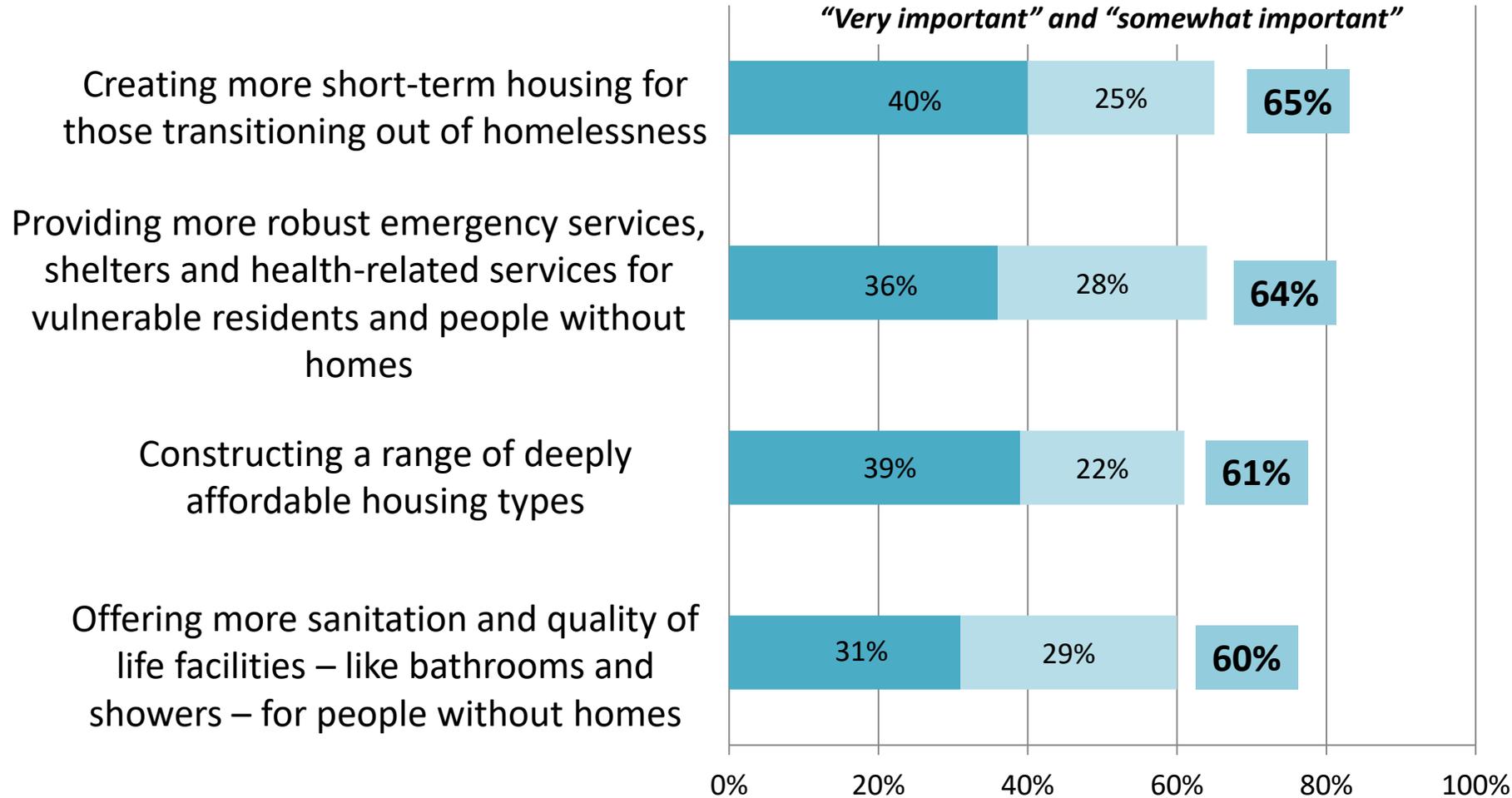
“Homelessness”	1 st Ask	2 nd Ask	Change
Very concerned	70%	67%	-3
Somewhat concerned	21%	24%	+3
Not too concerned	4%	3%	-1
Not concerned at all	3%	5%	+2
DK/NA	1%	1%	-0-

And how concerned are you about the increasing number of people experiencing homelessness in the City of Seattle? [n=295]

Six-in-10 believe it is at least “somewhat important” that the City of Seattle invest revenues in every solution tested



The creation of more short-term housing is the most popular solution.



Net “important”

Gross receipts under \$5 Mill.	Gross receipts over \$5 Mill.
71%	61%
67%	63%
72%	54%
65%	52%

The revenue raised from a new business tax would be used to help address the City’s chronic lack of deeply affordable housing for very low-income individuals and families and to increase the amount of services available to people without homes and the City’s most vulnerable residents. Listed below are a number of different areas in which revenues generated from a new business tax could be invested. After each, please indicate how important it is that the City invest revenues in that area.

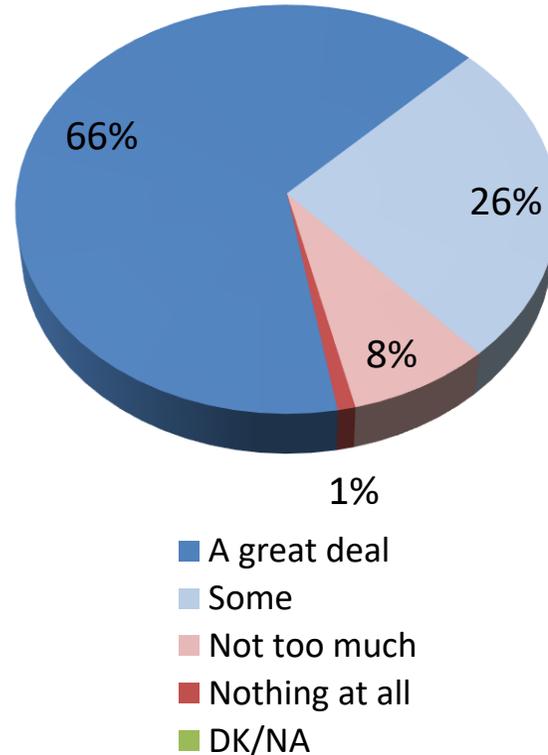


Perceptions of a Potential EHT Policy in the City of Seattle

Respondents are paying close attention to the proposed EHT with two-thirds indicating they have heard “a great deal” about the policy



A quarter have heard “some” about the proposal, and fewer than one-in-10 have heard either “not too much” or “nothing at all” about the EHT policy.



Most likely to say “a great deal”

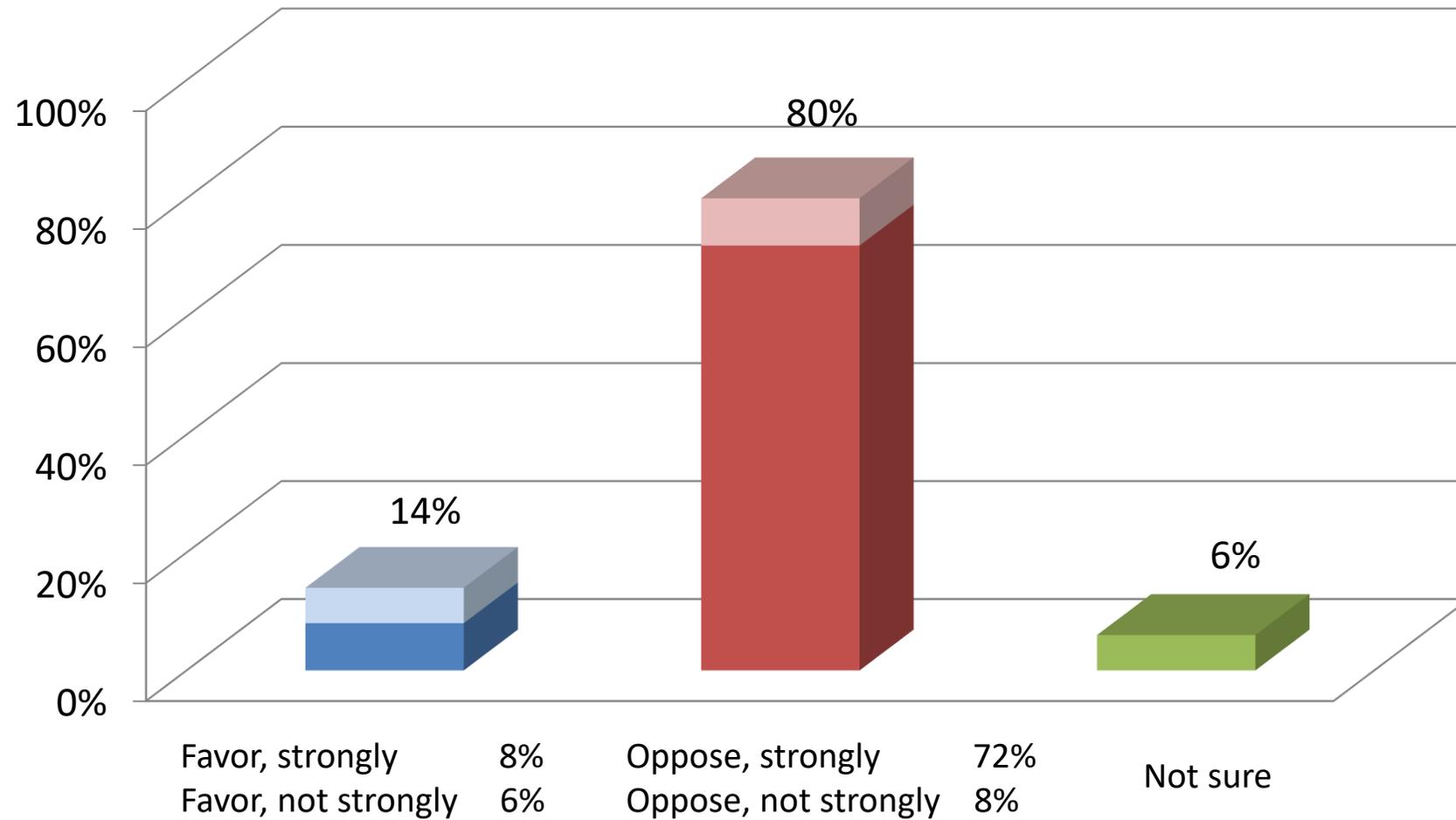
Gross receipts over \$5 Million	76%
Company 50+ FTE	74%
Non-SBA	74%
Housing has not impacted business	73%
All respondents	66%

The City of Seattle is considering enacting a tax on large businesses based either on the number of employees or total payroll in order to help address the crisis of the shortage of affordable housing to successfully reduce homelessness. How much have you heard about this proposal? Have you heard... [n=294]

Eight-in-10 oppose an EHT policy with a \$20 Million exemption



Seven-in-10 strongly oppose the proposal while just over one-in-10 support the proposal.



The City of Seattle is considering a number of ways to structure this proposal. One option would be to tax only businesses with Seattle-based gross receipts above \$20 million an annual rate of about \$500 per full-time equivalent employee. Businesses with less than \$20 million in taxable gross receipts would be fully exempt. The tax could raise about \$75 million per year to help address the increasing number of people experiencing homelessness in the City through an expansion of affordable housing projects and services. Do you favor or oppose this proposal?

Support and opposition broken out by subgroup:



	Favor	Oppose	Not sure
Business owners	16%	77%	7%
Business partners	13%	80%	7%
Financial decisionmakers	4%	94%	2%
Company size under 50 FTE	17%	77%	7%
Company size 50+ FTE	3%	92%	5%
Gross receipts under \$5 Million	20%	70%	10%
Gross receipts over \$5 Million	7%	92%	1%
All respondents	14%	80%	6%

Do you favor or oppose this proposal?

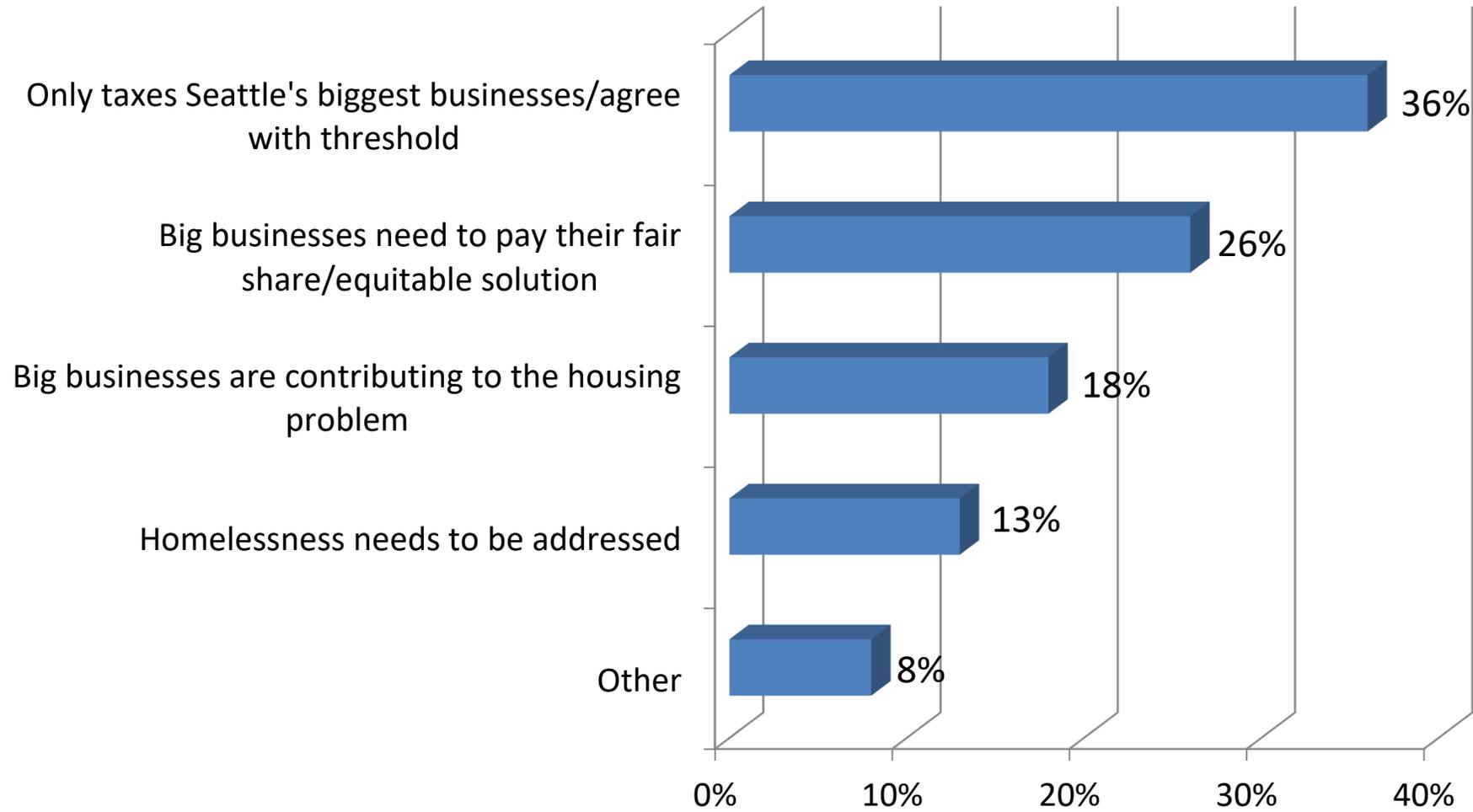
Support and opposition broken out by subgroup (continued):



	Favor	Oppose	Not sure
WMBE	23%	69%	9%
Non-WMBE	6%	90%	4%
Small businesses	17%	77%	6%
Non-SBA businesses	5%	91%	3%
Profit margin under 3%	17%	75%	8%
Profit margin over 3%	16%	80%	4%
All respondents	14%	80%	6%

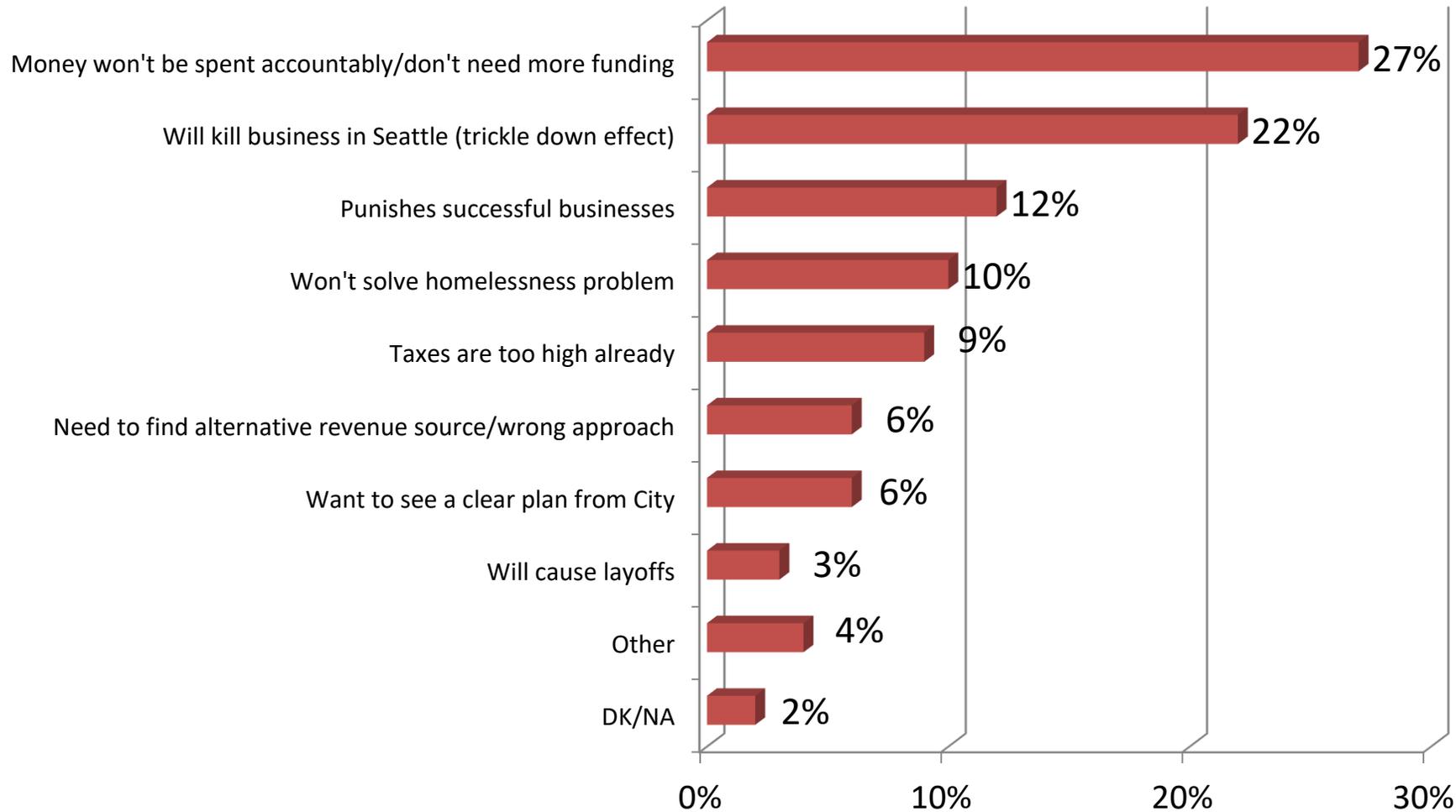
Do you favor or oppose this proposal?

Reasons to support the proposal:



What makes you say you favor this proposal? [n=39]

Reasons to oppose the proposal:

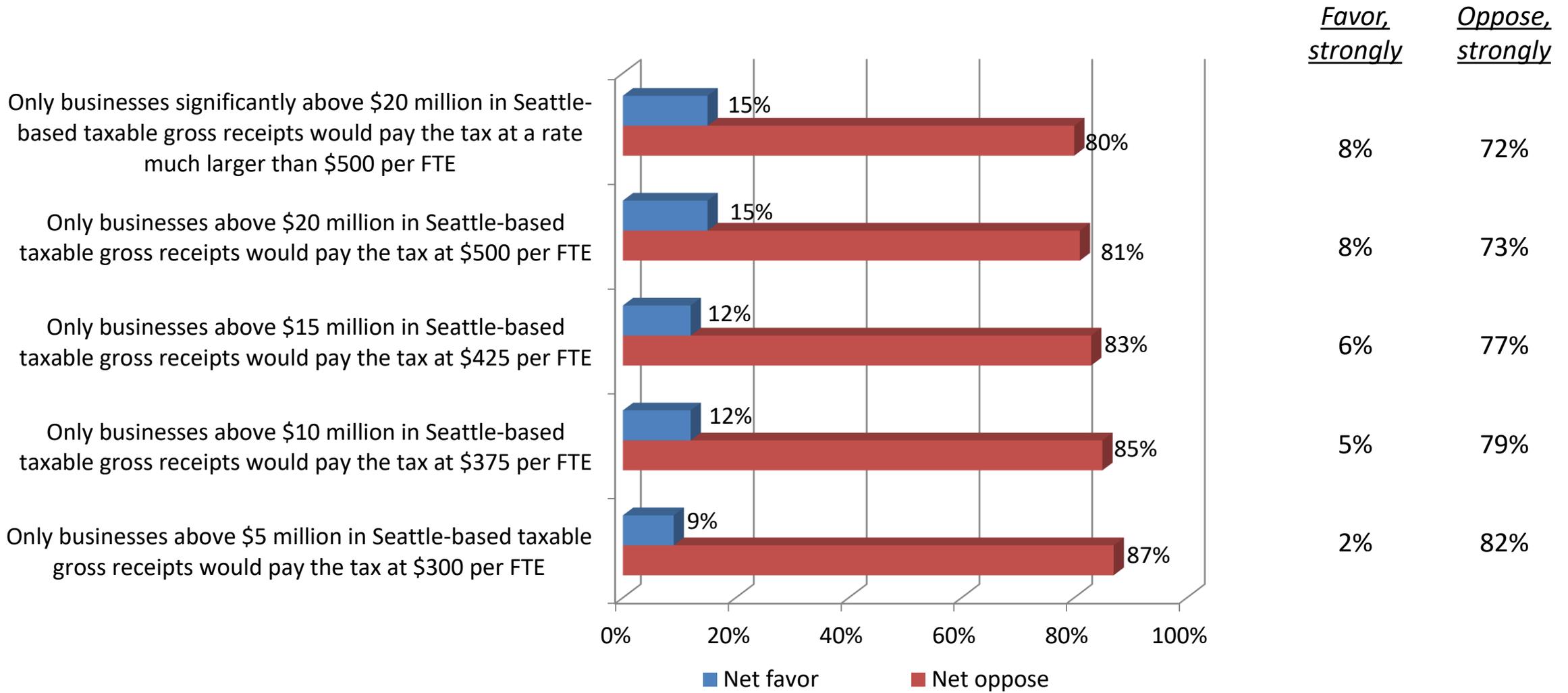


< Businesses with gross receipts under \$5 Million are more likely to believe the EHT won't solve the problem (13%) and punishes successful businesses (16%).

< Businesses with gross receipts over \$5 Million are more likely to believe the money won't be spent accountably (29%).

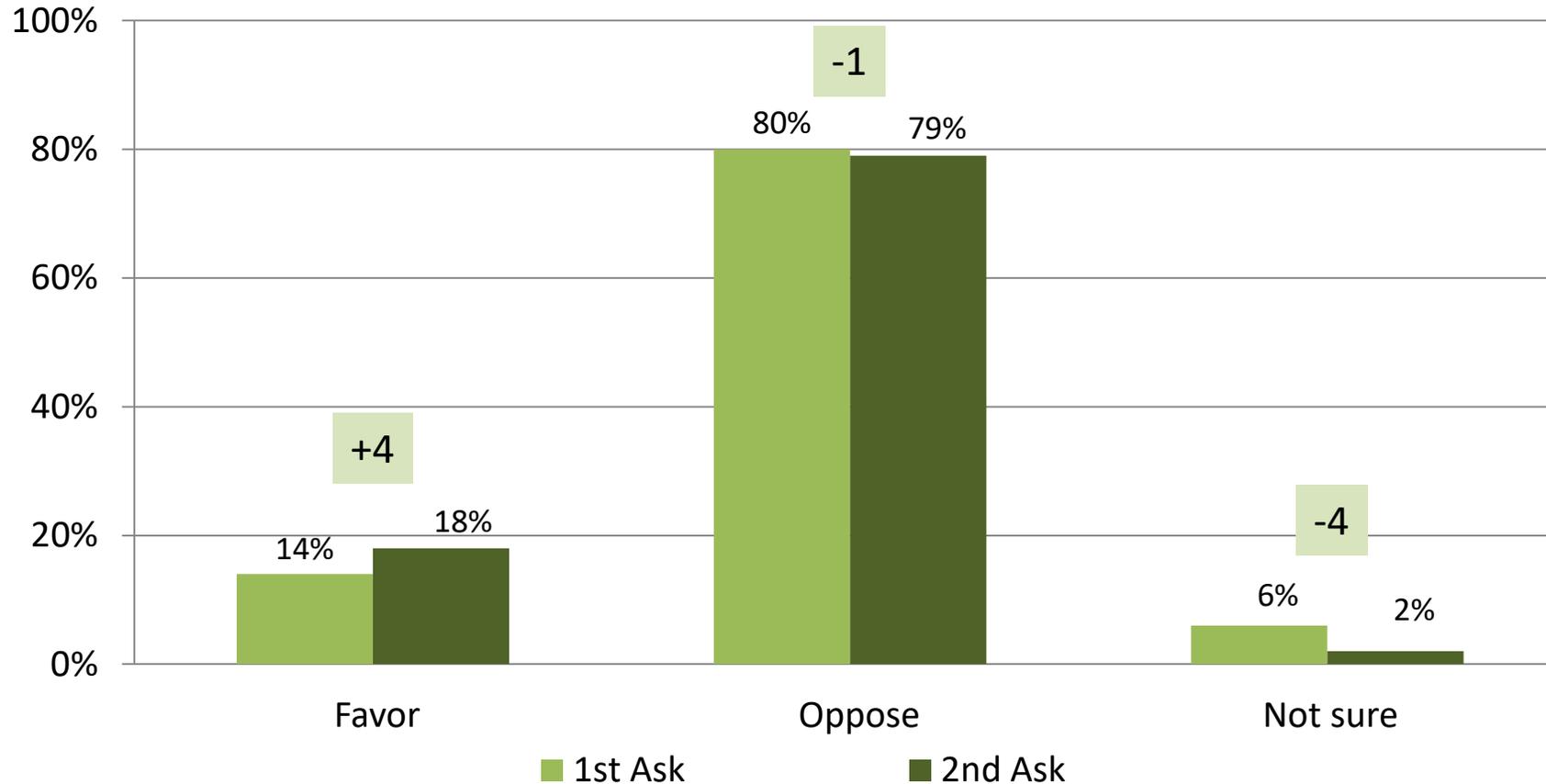
What makes you say you oppose this proposal? [n=234]

Levels of opposition increase as the exemption threshold is lowered



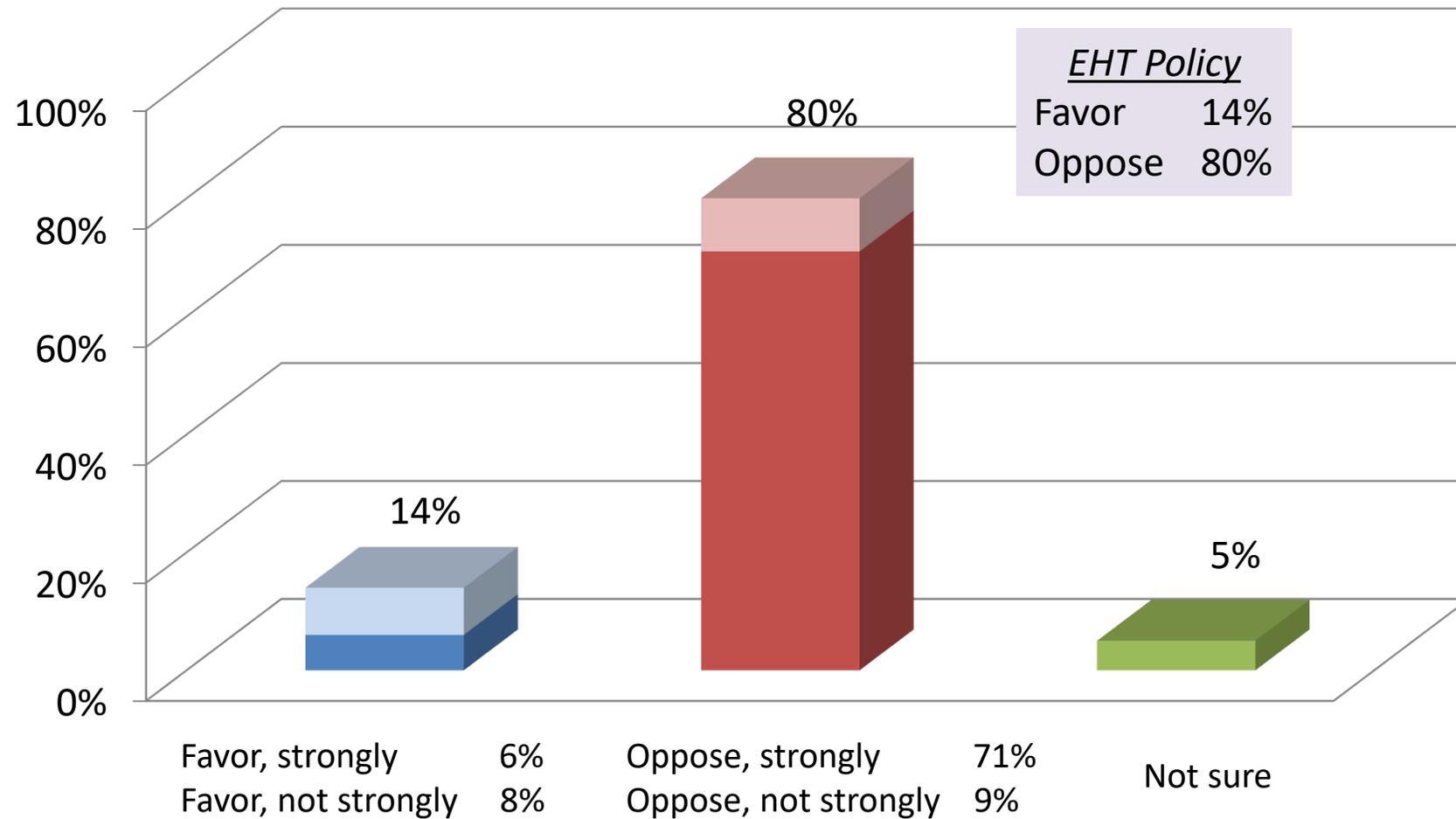
The per employee tax rate could vary depending on the gross receipts exemption threshold selected by the City. We've listed below a number of ways this could be structured. After each, please tell us whether you favor or oppose that particular approach.
[n=282]

Support increases slightly once respondents hear the percentage of businesses that would be affected by the EHT policy



The City estimates that if the exemption threshold for the tax were to be set at \$20 million dollars, around 585 businesses (which is 3% of all Seattle employers) would be subject to the \$500 per employee tax. Knowing this, we'd like to ask you again, do you favor or oppose this proposal? [n=283]

Support and opposition to a payroll tax mirrors that of the EHT policy

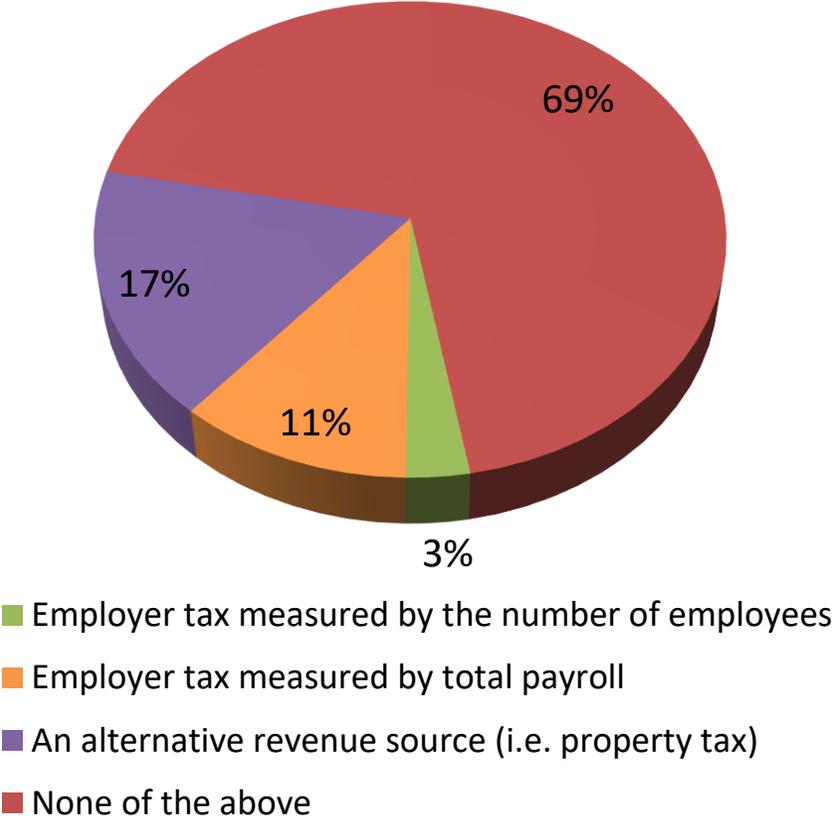


The City of Seattle is also considering using a payroll tax as an alternative to the employee hours tax while generating a similar amount of revenue to be invested in the same purpose. This tax rate would amount to .7% of large employers' payroll. Businesses with annual taxable gross receipts below \$20 million would still be exempt from having to pay this tax. Do you favor or oppose this proposal?

While nearly seven-in-10 believe no revenue source is the most equitable, just under one-in-five indicate they would prefer an alternative revenue source

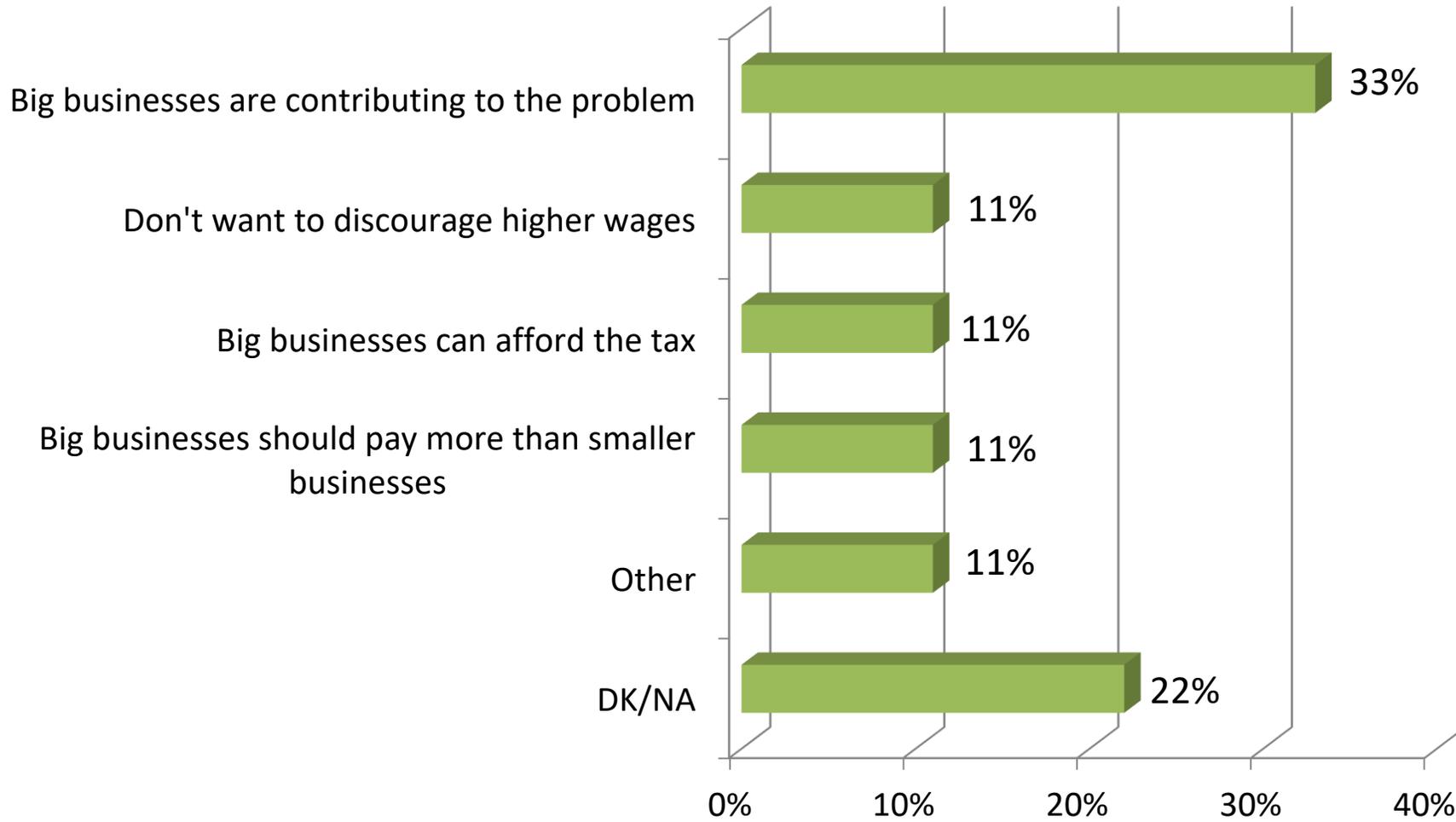


Just over one-in-10 prefer a payroll tax, while 3% believe an EHT policy is most equitable.



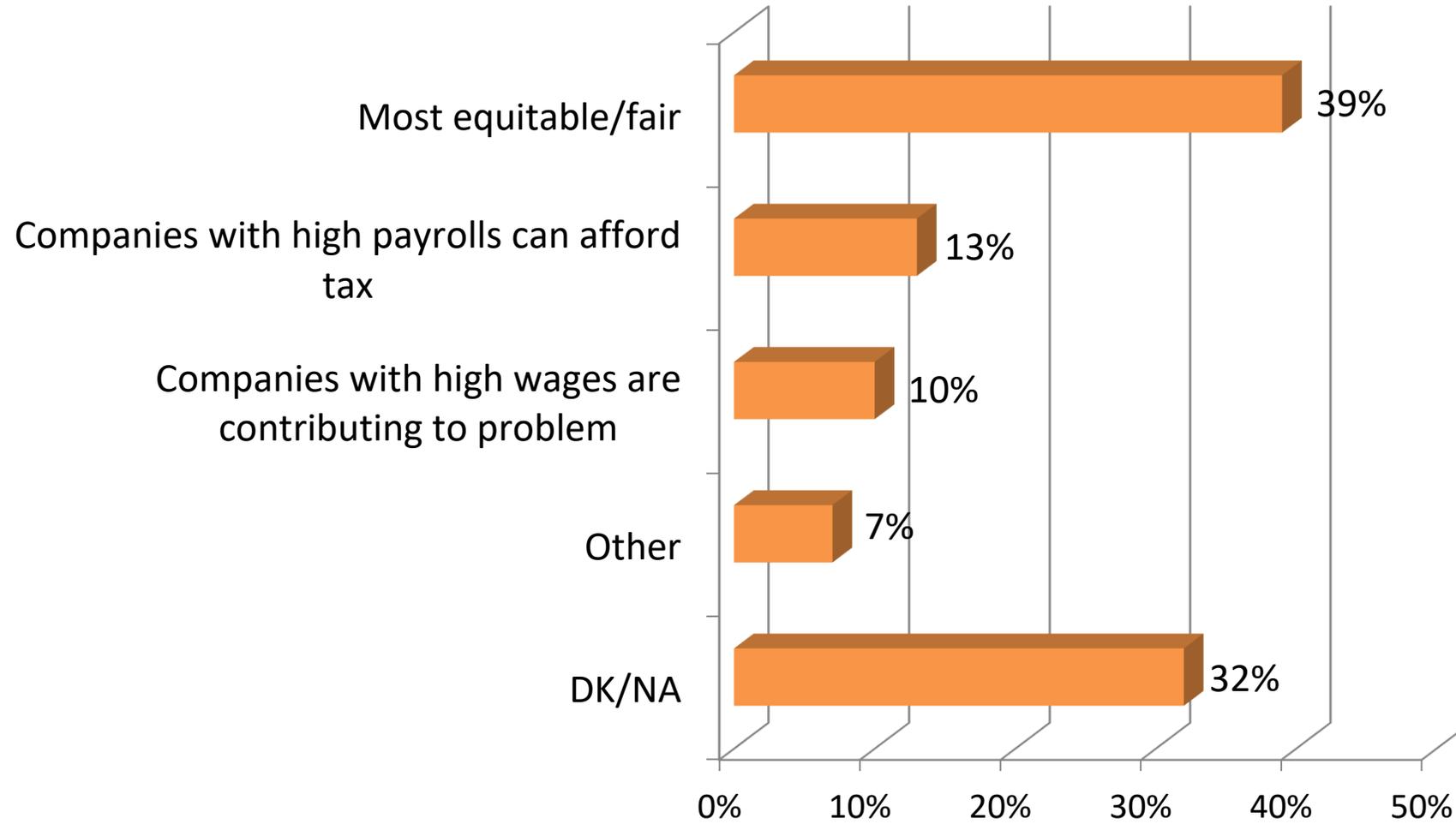
Regardless of how you may feel about the proposals listed above, which do you think is the most equitable way to raise revenue to address homelessness in Seattle? [n=281]

Why respondents prefer a per employee tax:



What makes you feel the per employee tax is the most equitable way to raise revenue to address the shortage of affordable housing to successfully reduce homelessness in Seattle? [n=9]

Why respondents prefer a payroll tax:



What makes you feel the payroll tax is the most equitable way to raise revenue to the shortage of affordable housing to successfully reduce homelessness in Seattle? [n=31]