



*"Working together to  
fund Washington's future"*

# Employer Compensation Tax Model

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Research & Fiscal Analysis

# Overview



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# Tax Features

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# Tax imposed on employee compensation

**Affected employers:** \$7 million or more in worldwide payroll expenses

**Exempted:** Federal government and tribal entities.

**Tax base:** Employee compensation (e.g., wages, salaries, stock options) above \$150,000.

<b>Payroll</b> (\$millions)	<b>Tax Rate</b>
7 to 100	0.25 %
Over 100	0.50 %

*The employer is responsible for paying the tax and may not make any deductions from the employee's compensation.*

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# Model features

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# Data Sources

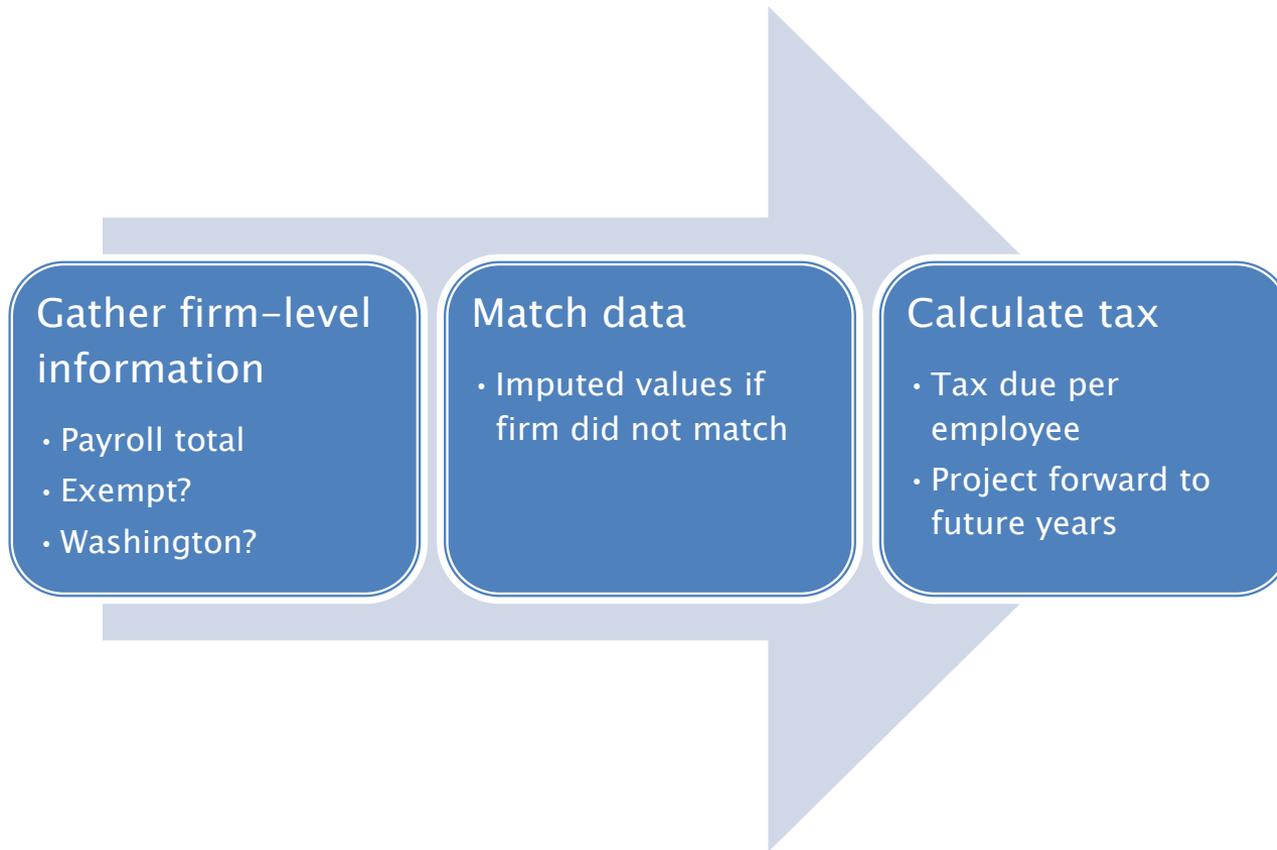
## Internal Revenue Service

- Compensation from W-2 forms
- Form 1040 tax returns
- Total payroll from business returns

## Employment Security Department (ESD)

- Industrial sector and payroll from unemployment insurance data

# Method



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# Results

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# Revenues and Taxpayer Counts

## CY 2023

Type	Amount (\$ millions)
Gross	\$220,000
Taxable	\$50,000
Collections	\$200

**9,000** out of about **300,000**  
employers affected

Compare with B&O forecast,  
FY2024

**\$5 billion**

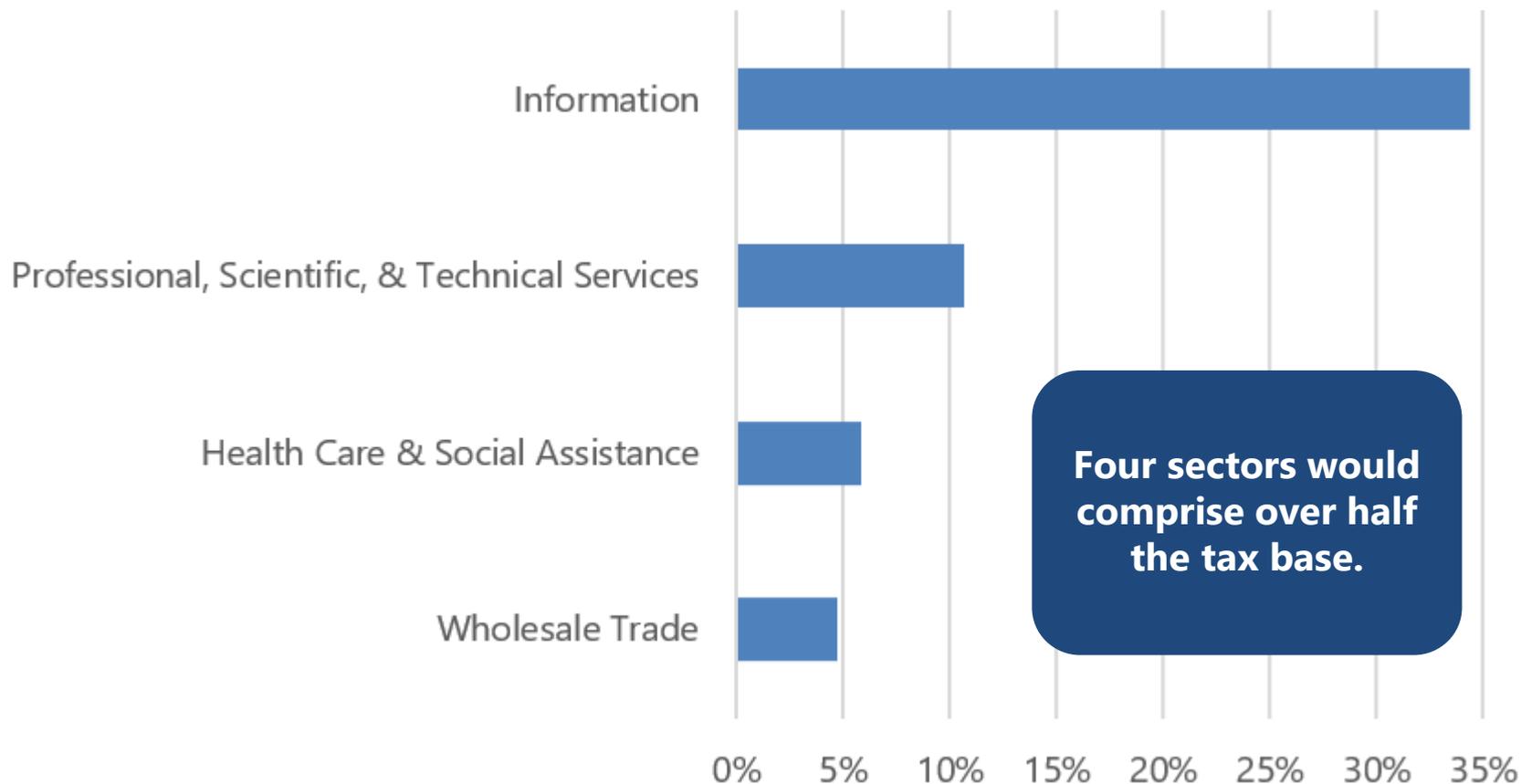
# Revenues and Taxpayer Counts

## by Payroll Amount, CY 2023

*Dollar amounts in millions.*

	<b>Affected Employers</b>	<b>Worldwide Payroll</b>	
		<b>\$7M to \$100M</b>	<b>Over \$100M</b>
Number of Employers	9,000	7,000	2,000
Gross	\$218,000	\$81,000	\$137,000
Taxable	\$49,000	\$11,000	\$38,000
Collections	\$196	\$26	\$170

# Top Four Industrial Sectors by estimated collections



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# Discussion

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