

High Salary Payroll Tax SB 5796

In Washington, we all see the value in our social safety net. These programs allow working Washingtonians to take time off to welcome a new child, make rent after a layoff, or cover bills after being injured on the job. The programs we depend on - like Paid Family Medical Leave, unemployment insurance, and workers' compensation - are all made possible by payroll taxes.

The problem:

In Washington, all businesses pay payroll taxes on employees salaries, but there is an arbitrary cap at \$184,500. When a wealthy corporation pays an employee more than \$184,500, they are not required to pay most payroll taxes above the cap.

This cap is a double-edged sword. It means that the corporations with the ability to pay the highest salaries are not being taxed based on their ability to pay into the programs that benefit and support their own employees. This cap is equivalent to a tax exemption for the wealthiest corporations, one that exacerbates our state's struggles to fund supports for working families, our schools, and other community needs.

The solution:

Lawmakers should remove this cap so that employers pay payroll taxes on the entirety of an employee's salary. This change would apply only to big employers with \$7 million or more in payroll expenses — about 5,289 Washington companies. It would only affect the employer, and would not increase any taxes paid by employees.

Removing this cap would generate about \$2 billion per year and could be directed toward Washington's public schools, health care, and/or social services.

When our tax code is structured based on ability to pay, our communities are more equitably funded and everyone in Washington benefits. Removing the arbitrary payroll tax cap is a meaningful step toward balancing our tax code.



Balance Our Tax Code is a coalition made up of more than 100 labor unions, non-profits, community-based organizations, housing and community associations, human service providers, immigrant rights advocates, and activists. Together, we work to educate, advocate, shape public opinion, and pass laws until we have a tax code that supports a way of life that works for all of us, not just the wealthy few. **Contact:** emma@balanceourtaxcode.com