

**FINANCE DEPARTMENT**

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MEMORANDUM

DATE: January 4, 2024
TO: City Council
FROM: Janna Walker, Budget Analyst
SUBJECT: B&O Tax Increase Impacts

BACKGROUND

The City of Snoqualmie has a current Business and Occupation (B&O) tax rate of 0.15%, imposed on gross receipts of non-utility businesses, with an exemption for businesses making \$20,000 or less annually or \$5,000 or less quarterly. The Council has within its authority the ability to increase the B&O tax rate to 0.2%. To increase the B&O tax rate above 0.2% would require approval by a simple majority of the City's electorate.

IMPACT TO BUSINESSES

During 2023, Snoqualmie received B&O taxes from just over 1,000 businesses. On average these businesses pay \$819 in B&O taxes annually, with the median business paying \$93 annually. By definition, half of the businesses in Snoqualmie who make B&O payments are paying less than \$93 and half are paying more than \$93.

If Council adopted the current councilmanic maximum, the average and median businesses would expect to see a 33% increase in B&O taxes as follows:

	Current Tax at 0.15%		Expected Increase		Expected Tax at 0.2 % Increase	
Average B&O Tax Payer	\$	819	\$	273	\$	1,092
Median B&O Tax Payer	\$	93	\$	31	\$	123

The chart on the next page shows the payers of B&O taxes in terms of quintiles. From the data, it appears that the vast majority of B&O taxpayers are small businesses that pay well under \$1,000 annually.

	Lower Range	Upper Range
1st Quintile	\$ -	\$ 20.44
2nd Quintile	\$ 20.45	\$ 62.19
3rd Quintile	\$ 62.20	\$ 147.74
4th Quintile	\$ 147.75	\$ 499.96
5th Quintile	\$ 499.97	\$ 80,384.57

The 10 businesses who pay the most into B&O also pay 50.2% of the total B&O tax receipted into the City. For 2023, receipts from these 10 companies are approximately \$420,000. If City Council decided to enact an increase to the B&O tax rate as proposed, these companies would pay an average of \$14,000 more than they currently pay.