

This Week in State Tax (TWIST)

February 24, 2025



Washington State: Seattle Voters Approve Local “Excess Compensation” Payroll Tax

Voters in the City of Seattle recently approved [Proposition 1A](#), a ballot initiative imposing an “excess compensation” payroll tax on taxpayers engaging in business in Seattle. “Excess compensation” is defined as annual compensation paid to an employee of more than \$1 million, and the rate of tax is 5 percent of the excess compensation. The tax, payable in quarterly installments, took effect on January 1, 2025, and it is in addition to the existing Payroll Expense Tax applicable to certain taxpayers in the city. The new tax is expected to raise approximately \$52 million annually, and revenues are dedicated largely to the Seattle Social Housing Developer, a Public Development Authority, to develop and maintain affordable housing in the City. For questions regarding the tax, please contact [Michele Baisler](#).

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