Pay to Play

Seattle City Council member, Kshama Sawant, has proposed a 1.7% payroll tax on Amazon and approximately 825 other large companies headquartered in her city, each with an annual payroll of $7 million or more. Non-profit organizations, public employers, and grocery stores would be exempt. The new tax is expected to raise $300m each year. Seattle has the fourth highest rate of unsheltered homeless in the U.S.; and 75% of the money raised would go toward building thousands of affordable, publicly owned homes. The remaining funds would go toward converting homes that use oil or gas to clean electric energy.¹

This proposal is not Ms. Sawant’s first. In 2018 she lobbied hard for the so-called “Amazon tax”, which would have levied a $275-per-employee “head tax” on corporations making over $20m a year. As with the current proposal, monies collected would have been used to fund new public housing and homeless services. Although the tax passed, Amazon threatened to relocate jobs outside the city; this threat garnered the support of labor unions who feared the threatened job losses might actually come to pass. As a result, the tax was repealed one month after being passed.²

Homelessness is uncommonly prevalent—and worsening—in Seattle. A count of homeless persons conducted on January 24, 2020 identified 11,751 individuals in Seattle/King County, a 5% increase over the last year. Of these, 8,166 were in Seattle; 53% had no shelter; 25% were Black (African Americans comprise 7% of the total population); 15% were Native Americans and Alaska Natives (who constitute 1% of the region’s population); and the rate of individuals living in vehicles rose from 19% in 2019 to 23% in 2020.³

Supporters of the proposal argue that it is a genuinely progressive tax that burdens only the wealthiest segment of the city while excusing the less well-off. Moreover, many have become homeless due to job loss caused by companies like Amazon placing their loyalty to shareholders over local communities. Now in the time of COVID-19 job loss is burgeoning and, derivatively, so is homelessness as persons or families who cannot meet mortgage or rental obligations find themselves out on the street—through no fault of their own.

Furthermore, supporters contend that employers have obligations to the well-being of the communities in which they are situated. These communities provide services (e.g., utilities, which the cities maintain) to employers, whose employees further use city services (e.g., transportation) that benefit the companies. Being a good citizen requires acknowledging the contributions of the community to the success of the individual and the individual company and reciprocating in kind. For companies like Amazon, this is accomplished in part by providing jobs to citizens, but also by paying their “fair share” of taxes.

Finally, the tax seems unlikely to burden Amazon significantly from a financial perspective.

Amazon [the largest employer in Seattle] … paid federal income tax at a rate of 1.2% in 2019—compared to the 14% tax rate paid by the average American in the same year. Further, 2019 was the first time Amazon paid taxes since 2016. Despite making billions in profits, Amazon received federal tax refunds in 2017 and 2018; that is, though Amazon reported $30.1 billion in U.S. profits in 2016-2018, during that time it received $104 million in tax refunds.⁴

Opponents argue that addressing the problems of the homeless does not require more money, but better management of monies already being collected. Some argue that the city should work with currently funded non-profit organizations to achieve more efficient fiscal management and better outcomes for the populations they serve. Others suggest revamping or enacting new statutes that are developer-friendly, encouraging new construction to address the current housing paucity. While opponents might agree that COVID unemployment and subsequent hardships are not the fault of the recently unemployed themselves, they also point out that neither are the businesses responsible for COVID-19-associated woes. Finally, opponents believe that social problems are better solved by the market than by the government.

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