



SUBSTITUTE
ORDINANCE NO. 28991

1 AN ORDINANCE relating to business and occupation tax: amending Chapter
2 6A.30 of the Tacoma Municipal Code, relating to Business and
3 Occupation Tax, by amending various sections to repeal the preferential
4 tax rate and related deduction for International Investment Management
5 Services, remove outdated language, and update the definition of
6 “farmers”, effective January 1, 2025.

7 WHEREAS this recommendation from the Tax and License Division of
8 the Finance Department is based on amending Tacoma Municipal Code (TMC)
9 Chapter 6A.30, regarding Business and Occupation Tax, removing the
10 preferential tax rate and related deduction for International Investment
11 Management Services (“IIMS”) business activity, and instead requiring
12 businesses to report IIMS activity under the Service and Other tax classification
13 at a rate of 0.4%, effective January 1, 2025, and

14 WHEREAS additionally, the recommendation is based on a review of
15 Subtitle 6A of the TMC, to remove language no longer applicable to current
16 taxpayers and bringing the definition of “farmers” to be consistent with other
17 chapters in Title 6 of the TMC, and

18 WHEREAS on October 15, 2024, the Government Performance and
19 Finance Committee voted unanimously to move this proposal forward to the full
20 City Council; Now, Therefore,

21
22 BE IT ORDAINED BY THE CITY OF TACOMA:

23 Section 1. That the City Council hereby adopts the Recitals of this
24 Ordinance as its formal legislative findings.

25 Section 2. That Chapter 6A.30 of the Tacoma Municipal Code is hereby
26 amended, effective January 1, 2025, as set forth in the attached Exhibit “A.”



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Section 3. That the City Clerk, in consultation with the City Attorney, is authorized to make necessary corrections to this ordinance, including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers, and any references thereto.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



EXHIBIT "A"

CHAPTER 6A.30 BUSINESS AND OCCUPATION TAX

* * *

6A.30.030 Definitions.

In construing the provisions of this chapter, the following definitions shall be applied. Words in the singular number shall include the plural, and the plural shall include the singular.

* * *

"In this City" or "within this City" includes all federal areas lying within the corporate city limits of the City.

~~"Investment management services."~~

~~A. "Investment management services" includes investment research, investment consulting, fund administration, fund distribution, investment transactions, or related investment services to persons or for or on behalf of a collective investment fund. A person is considered to be engaged in providing international investment management services if such person is providing investment management services and/or is a member of an affiliated group (a group of corporations under common ownership or control) primarily in the business of providing investment management services to collective investment funds, and at least 15 percent of the gross income of the person and/or affiliated group is derived from providing investment management services to any of the following:~~

~~1. Persons or collective investment funds residing outside the United States; or
2. Collective investment funds with at least 50 percent of their investment assets located or issued outside the United States.~~

~~B. For the purpose of this section, "collective investment fund" includes:~~

~~1. A mutual fund or other regulated investment company as defined in Section 851(a) of the Internal Revenue Code of 1986, as amended;
2. An investment company, as that term is used in Section 3(a) of the Investment Company Act of 1940, as well as any entity that would be an investment company for this purpose but for the exemptions contained in Section 3(c)(1) or (11) of the aforesaid 1940 Act;
3. An employee benefit plan, which includes any plan, trust, commingled employee benefit trust, or custodial arrangement that is subject to the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Sec. 1001 et seq., or that is described in Sections 125, 401, 403, 408, 457, and 501(c)(9), and (17) through (23) of the Internal Revenue Code of 1986, as amended, or a similar plan maintained by a state or local government, or a plan trust, or custodial arrangement established to self-insure benefits required by federal, state, or local law;
4. A fund maintained by a tax-exempt organization, as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, for operating, quasi-endowment, or endowment purposes;
5. Funds that are established for the benefit of such tax-exempt organizations, such as charitable remainder trusts, charitable lead trusts, charitable annuity trusts, or other similar trusts; or
6. Collective investment funds similar to those described in subsections (B)(1) through (5) of this section created under the laws of a foreign jurisdiction.~~

"Manufacturer," "to manufacture."

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6A.30.050 Imposition of the tax – Tax levied. Tax Classification

	2012	2011	2010	2009
Buying and Wholesaling Wheat, Oats, Corn, Barley	0.0001	0.0001	0.0001	0.0001
Extracting	0.0011	0.0011	0.0011	0.0011
International Investment Management Services	0.00055	0.0011	0.00165	0.0022
Manufacturing	0.0011	0.0011	0.0011	0.0011
Printing & Publishing Newspaper	0.00153	0.00153	0.00153	0.00153
Public Road Construction	0.0011	0.0011	0.0011	0.0011
Retail Services	0.004	0.004	0.004	0.004
Retailing	0.00153	0.00153	0.00153	0.00153
Service & Other	0.004	0.004	0.004	0.004
Wholesaling	0.00102	0.00102	0.00102	0.00102

Tax Classification	2005 through 2008	2004	2003	2002	2001	2000
Buying and Wholesaling Wheat, Oats, Corn, Barley	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Extracting	0.0011	0.0011	0.0011	0.0011	0.0011	0.0011
International Investment Management Services	0.00275	0.00275	0.00275	0.00275	0.00275	0.00275
Manufacturing	0.0011	0.0011	0.0011	0.0011	0.0011	0.0011
Printing & Publishing Newspaper	0.00153	0.00153	0.00153	0.00153	0.00153	0.00153
Public Road Construction	0.0011	0.0011	0.0011	0.0011	0.0011	0.0011
Retail Services	0.004	0.004	0.004	0.004	0.004	0.0042
Retailing	0.00153	0.00153	0.00153	0.00153	0.00153	0.00153
Service & Other	0.004	0.004	0.004	0.004	0.004	0.0042
Wholesaling	0.00102	0.00102	0.00102	0.00102	0.00102	0.00102



Tax Classification	1993	1992	1991	1990	1989 and prior years
Buying & Wholesaling Wheat, Oats, Corn, Barley	0.0001	0.0001	0.0001	0.0001	0.0001
Extracting	0.0011	0.0011	0.0011	0.0011	0.0011
International Investment Management Services	0.0048	0.0048	0.005	0.005	0.005
Manufacturing	0.0011	0.0011	0.0011	0.0011	0.0011
Printing & Publishing Newspaper	0.002	0.002	0.002	0.002	0.002
Public Road Construction	0.0011	0.0011	0.0011	0.0011	0.0011
Retail Services	0.0048	0.0048	0.005	0.005	0.005
Retailing	0.00153	0.00153	0.00153	0.00153	0.0015
Service & Other	0.0048	0.0048	0.005	0.005	0.005
Wholesaling	0.00102	0.00102	0.00102	0.00102	0.001

A. Except as provided in Subsection B of this section, there is hereby levied upon and shall be collected from every person a tax for the act or privilege of engaging in business activities within the City, whether the person's office or place of business be within or without the City. The tax shall be in amounts to be determined by application of rates against gross proceeds of sale, gross income of business, or value of products, including by-products, as the case may be, as follows:

1. Upon every person engaging within the City in business as an extractor; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, extracted within the City for sale or for commercial or industrial use, multiplied by the rate of eleven one-hundredths of 1 percent (0.0011). The measure of the tax is the value of the products, including by-products, so extracted, regardless of the place of sale or the fact that deliveries may be made to points outside the City.
2. Upon every person engaging within the City in business as a manufacturer; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, manufactured within the City, multiplied by the rate of eleven one-hundredths of 1 percent (0.0011). The measure of the tax is the value of the products, including by-products, so manufactured, regardless of the place of sale or the fact that deliveries may be made to points outside the City.
3. Upon every person engaging within the City in the business of making sales at wholesale, except persons taxable under subsection (6) of this section; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business multiplied by the rate of one hundred two one-thousandths of 1 percent (0.00102).
4. Upon every person engaging within the City in the business of making sales at retail; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business multiplied by the rate of one hundred fifty-three one-thousandths of 1 percent (0.00153), except the activity of public road construction, defined as a sale at retail or retail sale under Section 6A.30.030, the amount of tax shall be equal to the gross proceeds of such activity multiplied by the rate set forth in Section 6A.30.050.A.2.
5. Upon every person engaging within the City in the business of (a) printing, (b) both printing and publishing newspapers, magazines, periodicals, books, music, and other printed items, (c) publishing newspapers, magazines, and periodicals, (d) extracting for hire, and (e) processing for hire; as to such persons, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of one hundred fifty-three one-thousandths of 1 percent (0.00153).



6. Upon every person engaging within the City in the business of buying wheat, oats, corn, barley, and rye, but not including any manufactured or processed products thereof, and selling the same at wholesale, the tax imposed shall be equal to the gross proceeds derived from such sales multiplied by the rate of one one-hundredths of 1 percent (0.0001).

7. Upon every person engaging within the City in the business of making sales of retail services; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of sales multiplied by the rate of four-tenths of 1 percent (0.004). For years prior to 2002, the rates are as follows: (a) 1998 and years prior thereto would be forty-eight one-hundredths of 1 percent (0.0048); (b) 1999 would be forty-six one-hundredths of 1 percent (0.0046); (c) 2000 would be forty-four one-hundredths of 1 percent (0.0044); and (d) 2001 would be forty-two one-hundredths of 1 percent (0.0042).

~~8. Upon every person engaging in the business of providing international investment management services within the City; as to such persons, the amount of tax shall be equal to the gross income of the business multiplied by a rate of two hundred seventy five one thousandths of 1 percent (0.00275). Commencing January 1, 2009, the City shall decrease the rate from two hundred seventy five one thousandths of 1 percent (0.00275) to a rate of twenty two one hundredths of 1 percent (.0022). Commencing on January 1, 2010, the City shall decrease this rate to a rate of one hundred sixty five one thousandths of 1 percent (.00165). Commencing on January 1, 2011, the City shall decrease this rate to a rate of eleven one hundredths of 1 percent (.0011). Commencing on January 1, 2012, the City shall decrease this rate to a rate of fifty five one thousandths of 1 percent (.00055).~~

9. Upon every other person engaging within the City in any business activity other than or in addition to those enumerated in the above subsections; as to such persons, the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of four-tenths of 1 percent (0.004). This subsection includes, among others, and without limiting the scope hereof (whether or not title to material used in the performance of such business passes to another by accession, merger, or other than by outright sale), persons engaged in the business of developing or producing custom software or of customizing canned software, producing royalties or commissions, and persons engaged in the business of rendering any type of service which does not constitute a sale at retail, a sale at wholesale, or a retail service. For years prior to 2002, the rates are as follows: (a) 1998 and years prior thereto would be forty-eight one-hundredths of 1 percent (0.0048); (b) 1999 would be forty-six one-hundredths of 1 percent (0.0046); (c) 2000 would be forty-four one-hundredths of 1 percent (0.0044); and (d) 2001 would be forty-two one-hundredths of 1 percent (0.0042).

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6A.30.090 Exemptions.

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G. Insurance business.

This chapter shall not apply to amounts received by any person who is an insurer or their appointed insurance producer upon which a tax based on gross premiums is paid to the state pursuant to RCW 48.14.020; and provided further, that the provisions of this subsection shall not exempt any bonding company from tax with respect to gross income derived from the completion of any contract as to which it is a surety, or as to any liability as successor to the liability of the defaulting contractor.

H. Farmers—agriculture.

This chapter shall not apply to any farmer, gardener, or other persons selling, delivering, or peddling any fruits, vegetables, berries, eggs, or any farm produce or edibles raised, gathered, produced, or manufactured by such persons [as outlined in RCW 36.71.090](#).

I. Athletic exhibitions.

This chapter shall not apply to any person with respect to the business of conducting boxing contests and sparring or wrestling matches and exhibitions for the conduct of which a license must be secured from the Washington State Boxing Commission.

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U. Any person with respect to a business activity conducted in an area that, after the date hereof, has become part of the City by annexation; provided, however, that the business premises of such person be located in the said area on the date of annexation; and provided, further, that the exemption provided herein shall cease at the end of the calendar quarter three years after the date of such annexation.

V. Those persons whose gross proceeds of sales or gross income of the business both from within and outside the City for the entire calendar year do not exceed a minimum threshold of \$50,000 through December 31, 1998; \$55,000 from January 1 through December 31, 1999; \$60,000 from January 1, 2000, through December 31, 2000; \$65,000 from January 1, 2001, through December 31, 2001; \$70,000 from January 1, 2002 through December 31, 2008, \$72,500 from January 1, 2009 through December 31, 2009, \$75,000 from January 1, 2010 through December 31, 2010 and \$250,000 from January 1, 2011, and thereafter shall be exempt from the tax imposed under this Subtitle TMC 6A.30 and will not be required to submit a tax return; provided, however, that said persons shall still be obligated to obtain a registration license certificate.

Gross Income Threshold	
Tax Period Year	
1998 and prior years	\$50,000
1999	\$55,000
2000	\$60,000
2001	\$65,000
2002 through 2008	\$70,000
2009	\$72,500
2010	\$75,000
2011 and beyond	\$250,000

W. Amounts received from the sale of licenses to use grave sites and related finance charges by persons owning or operating cemeteries located within the City; provided, however, that this exemption shall not apply to amounts derived from the sale of licenses to use crypts or cremation niches located in mausoleums.

6A.30.100 Deductions.

There may be deducted from the measure of tax the following items:

* * *

M. Professional employer services.

In computing the tax, a professional employer organization may deduct from the calculation of gross income the gross income of the business derived from performing professional employer services that is equal to the portion of the fee charged to a client that represents the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, or other assessments paid to or on behalf of a covered employee by the professional employer organization under a professional employer agreement.

~~N. For tax reporting periods beginning on or after January 1, 2013 gross income as defined as investment management services and subject to tax under investment management services.~~

~~ON.~~ Compensation from Public Entities for Health or Social Welfare Services.

In computing tax there may be deducted from the measure of tax amounts received from the United States or any instrumentality thereof or from the State of Washington or any municipal corporation or political



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subdivision thereof as to compensation for, or to support, health or social welfare services rendered by a health or social welfare organization (as defined in RCW 82.04.431) or by a municipal corporation or political subdivision, except deductions are not allowed under this section for amounts that are received under an employee benefit plan. For purposes of this subsection, “employee benefit plan” includes the military benefits program authorized in 10 U.S.C. Sec. 1071 et seq., as amended, or amounts payable pursuant thereto.

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