



TO: Elizabeth Pauli, City Manager
FROM: Andy Cherullo, Finance Director
COPY: Government Performance & Finance Committee
PRESENTER: Danielle Larson, Tax & License Manager, Finance Department
SUBJECT: Amendments to Chapter 6A.50 – Electricity Business and Solid Waste Collection
DATE: March 7, 2023

PRESENTATION TYPE:

Request for Ordinance

SUMMARY:

Staff is proposing amendments to Tacoma Municipal Code (TMC) Chapter 6A.50 – Electricity Business and Solid Waste Collection related to solid waste collection tax that will 1) clarify definitions, 2) remove the recycling deduction, 3) expand the refund period from two years to four years, and 4) clean up language.

BACKGROUND:

Chapter 6A.50 was established in January 2000 to ensure that any private utilities operating in the City were taxed using the same base and same rate as the Tacoma's public utilities, as required by Tacoma's City Charter (City utilities are taxed under Chapter 6A.100 – Gross Earnings Tax).

ISSUE:

6A.50.050 Deductions

Chapter 6A.50 offers private solid waste businesses a deduction for the service of collecting commercial recyclable material, which is primarily construction debris or scrap metal. Chapter 6A.100 – Gross Earnings tax does not offer the same deduction to Solid Waste Management for their services of collecting recyclable materials. Tacoma's City Charter outlines that tax on public and private utilities should not be disproportionate.

In addition, the recycling industry has changed in many aspects since the deduction was established in 2000. Today as the deduction is outlined, it is difficult to administer for both private businesses as well as City staff.

The proposed amendments would eliminate the deduction in 6A.50 for private recyclers bringing it in line with 6A.100 - Gross Earnings tax requirement on Solid Waste Management services.

6A.50.070 Overpayment of Tax

Chapter 6A.50 provides a refund look-back period of two years. The assessment look-back period is four years. In addition, the assessment and refund look-back period for Business & Occupation tax (B&O) is four years. The proposed amendments would bring refunds and assessments consistent for B&O tax and utility tax.

The proposed amendments to sections 6A.50.030 and 6A.50.040 are clean up and clarification of language.

ALTERNATIVES:

Alternative to removing the recycling deduction:

- 1) Establish an effective date in the future to provide recycling businesses a period to adjust to the higher rate of tax
- 2) Retain the deduction for private recycling businesses and add the deduction to the City's Gross Earning tax



An alternative to changing the refund period to a four year look back is to not remove the limitation. This would lower the risk of larger refunds in the future when a business or City staff discovers a reporting error, however, it would leave the refund and assessment look-back periods inconsistent for B&O and utility tax.

FISCAL IMPACT:

The estimated fiscal impact to the General Fund from new revenue collected under the Solid Waste Collection tax for recycling activity is estimated to be approximately \$100,000.

The fiscal impact from expanding the refund period from two years to four years is unknown. Based on historic refund requests, the estimated impact is minimal. And most likely minimal impact to the 23/24 biennial budget as there are currently only five businesses that report tax under Chapter 6A.50.

RECOMMENDATION:

Staff is recommending the proposed amendments to TMC Chapter 6A.50 – Electricity Business and Solid Waste Collection related to solid waste collection tax that will 1) clarify definitions, 2) remove the recycling deduction, 3) expand the refund period from two years to four years, and 4) clean up language.