



**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 Tacoma Municipal Code, Chapter 6A.50 – Electricity Business and Solid Waste Collection and Chapter 6A.100 – Gross Earnings Tax – Utilities  
**DATE:** November 19, 2024

**PRESENTATION TYPE:**  
Request for Ordinance

**SUMMARY:**  
Staff is proposing amendments to Tacoma Municipal Codes (TMC) 6A.50 and 6A.100 related to the tax deduction for hauling recyclable materials. The TMC currently allows 100% of income generated from hauling recyclable materials as a deduction from the Solid Waste Collection and Gross Earnings taxes. The amendments will change the deduction to a tiered structure based on a recycling rate calculated as outlined in TMC Section 12.09.070 – Special Permits. Additional amendments are included in TMC Chapters 6A.40 – Communications and 6A.90 – Natural Gas to align tax deductions and refund statutes between all the utility tax chapters for private and public utilities.

**BACKGROUND:**  
Tacoma’s City Charter outlines that tax on public and private utilities should not be disproportionate. Private utilities are taxed under TMC Chapters 6A.40 - Communications, 6A.50 – Electricity Business and Solid Waste Collection and 6A.90 – Natural Gas. City utilities are taxed under TMC Chapter 6A.100 – Gross Earnings Tax.

TMC Chapter 6A.50 was established in January 2000 to ensure that any private solid waste haulers operating in the City were taxed using the same base and same tax rate as Tacoma’s public utilities, as required by Tacoma’s City Charter. The new chapter included a deduction for hauling and processing recycling materials based on a calculation of quantity of recycled materials. The calculation was difficult for businesses to calculate and for staff to verify.

In 2023 the deduction for hauling recyclable materials was changed to a 100% deduction while Solid Waste Management (SWM) and Tax & License (T&L) collaborated on a permanent recycling tax deduction structure that fit the goals and needs of our community.

**ISSUE:**  
SWM and T&L have identified an opportunity to further incentivize recycling through a recycling tax deduction for solid waste collection businesses. SWM will certify each permittees Recycling Rate based on data submitted in an annual report as outlined in TMC 12.09.070. The Recycling Rate will qualify the permittee for a proportional tax deduction based on a tiered recycling tax deduction in TMC 6A.50.

SWM will use the same method to calculate their own Recycling Rate to qualify for a proportional tax deduction in TMC 6A.100.



Tier	Recycling Rate	Tax Deduction
0	0%-1%	None
1	2% - 25%	12.5%
2	26% - 50%	37.5%
3	51% - 75%	62.5%
4	76% - 100%	100%

Other Amendments

Other amendments are included to align tax deductions and refund statutes between all the utility tax chapters including TMC Chapters 6A.40 – Communications and 6A.90 – Natural Gas.

Additionally, amendments to TMC Chapter 6A.100, Gross Earnings tax deductions that were discussed at the October 1, 2024 GPFC meeting are included in the draft code changes:

- Remove deductions no longer utilized
- Clarify deduction for taxes collected as trust funds to include customer excise tax
- Amend deduction for Interdepartmental Rent to include all utilities, not just Power
- Remove the deduction for Contributions in Aid of Construction (CIAC)
- Remove the deduction for Sale of Capital Assets
- Remove the deduction for Interest on Bond Proceeds
- Add new deduction for Grants

**ALTERNATIVES:**

Maintain Status Quo

If the current deduction structure is maintained, any business conducting recycling will continue to receive a 100% deduction and therefore will not pay any Solid Waste Collection Business Tax. This would have a minimal impact on incentivizing waste diversion, since there is no threshold for receiving this deduction, i.e., 1% recycling would receive a 100% deduction. Additionally, there would continue to be minimal revenue generated from this tax.

Remove Deduction

If all solid waste businesses are subjected to the full 8% tax revenues would increase in the short term, however the City would not expect to see any increase in waste diversion. Additionally, the tax increase could discourage businesses from operating within Tacoma, thereby reducing consumer choice and tax revenues.

**FISCAL IMPACT:**

In 2024, the tax revenue from hauling recycling materials was zero while staff collected and reviewed data to better understand the industry and create a deduction that was appropriate for Tacoma’s recycling goals. After removing one-time revenues and adjustments related to audits and projects from 2024 solid waste tax revenues, the revenue from non-recyclers was \$300k which is reflected on the first tier along with a conservative estimate of \$50k from one-time projects.

Incorporating the new tiered deduction for hauling recycling materials into the Solid Waste tax structure is estimated to contribute \$625,000 to the solid waste tax for a total of \$975,000 from private utility companies and \$125,000 from Solid Waste Management for a total of \$ 1,100,000 to the general fund annually.



Recycling Rate	Tax Deduction	# of Private Businesses	2025 Est. Revenue
0-1%	0%	16	\$350,000
2-25%	12.5%	0	-
26-50%	37.5%	3	\$500,000
51-75%	62.5%	11	\$125,000
76-100%	100%	3	\$0
<b>Total Private SW</b>			<b>\$975,000</b>
<b>City SWM - GET</b>	12.5%		<b>\$125,000</b>
			<b>\$1,100,000</b>

**RECOMMENDATION:**

Staff recommends the proposed amendments to TMC Chapters 6A.50 and 6A.100 related to the tax deduction for hauling recyclable materials to update the deduction to a tiered structure based on a Recycling Rate calculated as outlined in TMC 12.09.070 and to align tax deductions and refund statutes between the utility tax chapters, including TMC Chapters 6A.40 – Communications and 6A.90 – Natural Gas, with an effective date of January 1, 2025.