



Business & Occupation Tax Code Amendments

City of Tacoma | Finance

Government Performance & Finance Committee
November 18, 2025



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OVERVIEW



Proposed Amendments to Subtitle 6A – Tax Code

- Chapter 6A.30 – Business & Occupation Tax
 - Update definitions required by Chapter RCW 35.102, Municipal Business & Occupation
 - Remove language no longer statutorily applicable
- Chapter 6A.10 – General Tax Provisions
 - Add definition of mailing

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BACKGROUND



- 53 cities impose a local B&O tax
- Cities with local B&O tax are required by RCW 35.102 to adopt the B&O Tax Model Ordinance
- Mandatory provisions include:
 - a minimum threshold,
 - tax classification definitions,
 - engaging in business definition, and
 - allocation and apportionment for activities occurring in more than one jurisdiction

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BACKGROUND



Senate Bill 5814 changed the definition of “sale at retail” adding the following services to a retail sale:

- Advertising services;
- Live presentations;
- Information technology services;
- Custom website development services;
- Investigation, security, and armored car services;
- Temporary staffing services; and
- Sales of custom software and customization of prewritten software.

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SALE AT RETAIL



Mandatory update to definition of "sale at retail" in TMC 6A.30.030

- add new subsection to incorporate changes to professional services
- update language related to custom software and customization of prewritten software
- update language related to digital goods and digital automated services
- move misplaced language to correct typo created when extended warranties were added to the Model Ordinance

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FISCAL IMPACT



The City will recognize an approximate \$2.2M gain in annual revenues due to SB 5814.

- Decrease in City B&O tax of \$600,000
- Increase in General Fund Sales Tax of \$2M
- Increase in each of the City's additional 1/10th of 1 percent sales tax by \$200,000
 - Mental Health
 - Affordable Housing
 - Tacoma Creates
 - Transportation Benefit District

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NEXT STEPS



- City Council
 - First Reading – December 2, 2025
 - Second Reading – December 9, 2025
- Effective Date – January 1, 2026

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