



TO: Hyun Kim, Interim City Manager
FROM: Danielle Larson, Tax & License Division Manager, Finance Department
COPY: Andy Cherullo, Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Ordinance - Amendments to Tacoma Municipal Code Subtitle 6A - Tax Code - February 10, 2026
DATE: February 3, 2026

SUMMARY AND PURPOSE:

An ordinance proposing amendments to multiple Chapters in Tacoma Municipal Code (TMC), Subtitle 6A - Tax Code to update utility tax rates from 7.5% to 6% effective March 1, 2026, except the Natural Gas Use Tax rate of 6% is effective July 1, 2026.

BACKGROUND:

This Department's Recommendation is Based On: Proposition No 3 was passed by Tacoma voters in November 2015, authorizing the City to levy an additional 1.5% utility tax on natural gas, electric (power) and telephone services for ten years, beginning March 1, 2016, to fund street repair, maintenance and safety improvements for residential streets, arterials and freight access, including resurfacing, pothole repair, pedestrian safety improvements, school crossing beacons, and sidewalk improvements. The additional 1.5% tax levied on natural gas, electric and phone services expire on February 28, 2026.

Amendments to TMC, Subtitle 6A - Tax Code are required to decrease the following utility tax rates from 7.5% to 6% effective March 1, 2026.

- Cellular/Pager (Chapter 6A.40)
- Telephone (Chapter 6A.40)
- Private Electricity Business (Chapter 6A.50)
- Natural Gas (Chapter 6A.90)
- Public Utility Power (Chapter 6A.100)

The Government Performance and Finance Committee voted on February 3, 2026, to move this proposal forward to the full City Council.

The reason the ordinance needs to be effective March 1, 2026, is because the tax increase in Proposition No 3 approved by voters expires on February 28, 2026.

The effective date for Natural Gas Use Tax is different from the other utility tax rates because the State of Washington Department of Revenue collects the tax on the cities behalf and the State's processes only allow a rate change on certain days of the year and therefore did not implement the additional 1.5% Natural Gas Use tax until July 1, 2016.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

Review of the Tax & License code on regular intervals allows staff to use equity and bias training to review the code



through an equity lens. While many sections pertain to requirements on businesses and administrative functions, reviewing these through an equity lens allows for removal or changes to code language that would impact the City's equity and anti-racist efforts.

Economy/Workforce: *Equity Index Score:* Moderate Opportunity
Increase positive public perception related to the Tacoma economy.

Livability: *Equity Index Score:* Moderate Opportunity
Increase positive public perception of safety and overall quality of life.

Explain how your legislation will affect the selected indicator(s).

Utility Tax goes directly into the General Fund and supports police and fire services, street repair & maintenance, libraries, and many other programs that support the community.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. There are no alternatives. The proposed amendments to various chapters in TMC Subtitle 6A – Tax Code are required.	N/A	N/A

STAFF RECOMMENDATION:

Staff is recommending City Council pass the proposing amendments to multiple Chapters in Tacoma Municipal Code (TMC), Subtitle 6A – Tax Code to update utility tax rates from 7.5% to 6% effective March 1, 2026.

FISCAL IMPACT:

The reduction in utility tax rates from 7.5% to 6% will reduce the annual revenues in the Streets Initiative Fund by \$10.5M.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 1085 – Cellular/Pager Tax	663020	4315600	\$240,000
2. 1085 – Telephone Tax	663020	4315650	\$300,000
3. 1085 – Natural Gas Tax	663020	4315800	\$1,250,000
4. 1085 – Gross Earnings Tax – Power	663020	4315100	\$8,700,000
TOTAL			

What Funding is being used to support the expense? N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES



City of Tacoma

City Council Action Memorandum

Are there financial costs or other impacts of not implementing the legislation?

No

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

No

ATTACHMENTS: N/A