



ORDINANCE NO. 28268

1 AN ORDINANCE relating to the tax code; amending Sections 6A.10.040 and
2 6A.30.090 of the Tacoma Municipal Code to exempt businesses with an
3 annual gross income of less than \$250,000 from the requirement of filing a
City Business and Occupation tax return.

4 WHEREAS, in 2011, the City Council passed Ordinance No. 28043,
5 establishing a threshold of \$250,000 in annual gross income before businesses are
6 required to remit local Business and Occupation (“B&O) tax; however, the Tacoma
7 Municipal Code (“TMC”) currently requires businesses to file a tax return stating
8 that no tax is due, and
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10 WHEREAS, in 2013, approximately 5,400 businesses in Tacoma generated
11 less than \$250,000 in annual gross income, but were still required to file a tax return
12 with the City, and
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14 WHEREAS these businesses must utilize staff time and resources to
15 process the tax forms in order to comply with the TMC, and
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17 WHEREAS City staff time and resources are also necessary to distribute and
18 process the forms, and, if a business does not timely file a tax return, to issue a
19 delinquency letter, resulting in additional staff time and postage expense, and
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21 WHEREAS exempting businesses from this requirement fosters
22 neighborhood, community, and economic development, vitality, and sustainability,
23 and will reduce City printing and mailing costs by approximately \$15,000 for the
24 2015-2016 Biennium; Now, Therefore,
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BE IT ORDAINED BY THE CITY OF TACOMA:

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Section 1. That Section 6A.10.040 of the Tacoma Municipal Code is hereby amended as set forth in the attached Exhibit "A."

Section 2. That Section 6A.30.090 of the Tacoma Municipal Code is hereby amended as set forth in the attached Exhibit "B."

Passed _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



EXHIBIT "A"

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**Chapter 6A.10
GENERAL TAX PROVISIONS**

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6A.10.040 When due and payable – Reporting periods – Monthly, quarterly, and annual returns – Threshold provisions or relief from filing requirements – Computing time periods – Failure to file returns.

A. Other than any annual license fee or registration fee assessed under this title, the tax imposed by this chapter shall be due and payable in quarterly installments. At the Director’s discretion, businesses may be assigned to a monthly or annual reporting period depending on the tax amount owing or type of tax. Tax payments are due on or before the last day of the next month following the end of the assigned reporting period covered by the return.

B. Taxes shall be paid as provided in this chapter and accompanied by a return on forms as prescribed by the Director. The return shall be signed by the taxpayer personally or by a responsible officer or agent of the taxpayer. The individual signing the return shall swear or affirm that the information in the return is complete and true.

C. Tax returns must be filed and returned by the due date whether or not any tax is owed.

D. For purposes of the tax imposed by Chapter 6A.30, any person whose value of products, gross proceeds of sales, or gross income of the business, subject to tax after all allowable deductions, is equal to or less than \$20,000 in the current calendar year shall file a return, declare no tax due on their return, and submit the return to the Director. The gross receipts and deduction amounts shall be entered on the tax return even though no tax may be due, except that for persons whose gross income is exempt from taxation under 6A.30.90.V are not required to submit a tax return.

E. A taxpayer that commences to engage in business activity shall file a return and pay the tax or fee for the portion of the reporting period during which the taxpayer is engaged in business activity.

F. Except as otherwise specifically provided by any other provision of this chapter, in computing any period of days prescribed by this chapter the day of the act or event from which the designated period of time runs shall not be included. The last day of the period shall be included unless it is a Saturday, Sunday, or City or federal legal holiday, in which case the last day of such period shall be the next succeeding day which is neither a Saturday, Sunday, or City or federal legal holiday.

G. If any taxpayer fails, neglects, or refuses to make a return as and when required in this chapter, the Director is authorized to determine the amount of the tax or fees payable by obtaining facts and information upon which to base the Director’s estimate of the tax or fees due. Such assessment shall be deemed prima facie correct and shall be the amount of tax owed to the City by the taxpayer. The Director shall notify the taxpayer by mail of the amount of tax so determined together with any penalty, interest, and fees due; the total of such amounts shall thereupon become immediately due and payable.

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EXHIBIT "B"

Chapter 6A.30
BUSINESS AND OCCUPATION TAX

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6A.30.090 Exemptions.

A. Certain fraternal and beneficiary organizations. This chapter shall not apply to fraternal benefit societies or fraternal fire insurance associations as described in Chapter 48 RCW; nor to beneficiary corporations or societies organized under and existing by virtue of Chapter 24 RCW, if such beneficiary corporations or societies provide in their bylaws for the payment of death benefits. This exemption is limited, however, to gross income from premiums, fees, assessments, dues, or other charges directly attributable to the insurance or death benefits provided by such societies, associations, or corporations.

B. Credit unions. This chapter shall not apply to the gross income of credit unions organized under the laws of this state, any other state, or the United States.

C. Nonprofit health care organization fees. This chapter shall not apply to amounts derived from medical, nursing, ambulance, hospital, and other appropriate outpatient care as charges and service fees by nonprofit health care organizations for the benefit of subscribers where none of such fees and charges inure to the benefit of the organization or any of its employees, provided further that if a nonprofit health care organization's annual gross income, minus any allowed deductions or exemptions as provided in this chapter, exceeds \$30,000,000.00 for any calendar year the deduction shall not apply to the amounts derived from health care organization service fees and charges.

D. Public utilities. This chapter shall not apply to the business activity of any person to which tax liability is specifically imposed under the provisions of Chapters 6A.40 (Communications Tax), 6A.50 (Electricity Business and Solid Waste Collection), and 6A.90 (Natural or Manufactured Gas Tax).

E. Investments – dividends from subsidiary corporations. This chapter shall not apply to amounts derived by persons other than those engaging in banking, loan, security, or other financial businesses, from investments or the use of money as such, and also amounts derived as dividends by a parent from its subsidiary corporations.

F. International banking facilities. This chapter shall not apply to the gross receipts of an international banking facility. As used in this subsection, an "international banking facility" means a facility represented by a set of asset and liability accounts segregated on the books and records of a commercial bank, the principal office of which is located in this state, and which is incorporated and doing business under the laws of the United States or of this state, a United States branch or agency of a foreign bank, an Edge corporation organized under Section 25(a) of the Federal Reserve Act, 12 United States Code 611-631, or an Agreement corporation having an agreement or undertaking with the Board of Governors of the Federal Reserve System under Section 25 of the Federal Reserve Act, 12 United States Code 601-604(a), that includes only international banking facility time deposits (as defined in subsection (a)(2) of Section 204.8 of Regulation D (12 CFR Part 204), as promulgated by the Board of Governors of the Federal Reserve System), and international banking facility extensions of credit (as defined in subsection (a)(3) of Section 204.8 of Regulation D).

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 with respect to amounts received from selling fruits, vegetables, berries, butter, eggs, fish, milk, poultry, meats, or any other agricultural product that is raised, caught, produced, or manufactured by such persons.



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

4 J. Racing. This chapter shall not apply to any person with respect to the business of conducting race meets for
5 the conduct of which a license must be secured from the Washington State Horse Racing Commission.

6 K. Ride sharing. This chapter does not apply to any funds received in the course of commuter ride sharing or
7 ride sharing for persons with special transportation needs in accordance with RCW 46.74.010.

8 L. Employees.

9 1. This chapter shall not apply to any person with respect to the person's employment in the capacity as an
10 employee or servant as distinguished from that of an independent contractor. For the purposes of this
11 subsection, the definition of employee shall include those persons that are defined in the Internal Revenue
12 Code, as hereafter amended.

13 2. A booth renter is an independent contractor for purposes of this chapter.

14 M. Amounts derived from sale of real estate. This chapter shall not apply to gross proceeds derived from the
15 sale of real estate. This, however, shall not be construed to allow an exemption of amounts received as
16 commissions from the sale of real estate, nor as fees, handling charges, discounts, interest or similar financial
17 charges resulting from or relating to real estate transactions. This chapter shall also not apply to amounts
18 received for the rental of real estate, if the rental income is derived from a contract to rent for a continuous
19 period of 30 days or longer.

20 N. Mortgage brokers' third-party provider services trust accounts. This chapter shall not apply to amounts
21 received from trust accounts to mortgage brokers for the payment of third-party costs if the accounts are
22 operated in a manner consistent with RCW 19.146.050 and any rules adopted by the director of financial
23 institutions.

24 O. Amounts derived from manufacturing, selling, or distributing motor vehicle fuel. This chapter shall not
25 apply to the manufacturing, selling, or distributing motor vehicle fuel, as the term "motor vehicle fuel" is
26 defined in RCW 82.36.010 and exempt under RCW 82.36.440, provided that any fuel not subject to the state
fuel excise tax or any other applicable deduction or exemption will be taxable under this chapter.

P. Amounts derived from liquor, and the sale or distribution of liquor. This chapter shall not apply to liquor as
defined in RCW 66.04.010 and exempt in RCW 66.08.120.

Q. Accommodation sales. This chapter shall not apply to sales for resale by persons regularly engaged in the
business of making retail sales of the type of property so sold to other persons similarly engaged in the
business of selling such property where (1) the amount paid by the buyer does not exceed the amount paid by
the seller to the vendor in the acquisition of the article, and (2) the sale is made as an accommodation to the
buyer to enable the buyer to fill a bona fide existing order of a customer or is made within 14 days to
reimburse in-kind a previous accommodation sale by the buyer to the seller.

R. Casual and isolated sales. This chapter shall not apply to the gross proceeds derived from casual or isolated
sales.

S. Taxes collected as trust funds. This chapter shall not apply to amounts collected by the taxpayer from third
parties to satisfy third party obligations to pay taxes such as the retail sales tax, use tax, and admission tax.

T. The gross income received by the United States or any instrumentality thereof and by the state of
Washington or any municipal subdivision thereof; provided, however, that the exemption contained in this
subsection shall only apply to gross income which the City is prohibited from taxing pursuant to the terms of
any federal or state law.

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.



1 V. Those persons whose gross proceeds of sales or gross income of the business both from within and outside
 2 the City for the entire calendar year do not exceed a minimum threshold of \$50,000 through December 31,
 3 1998; \$55,000 from January 1 through December 31, 1999; \$60,000 from January 1, 2000, through
 4 December 31, 2000; \$65,000 from January 1, 2001, through December 31, 2001; \$70,000 from January 1,
 5 2002 through December 31, 2008, \$72,500 from January 1, 2009 through December 31, 2009, \$75,000 from
 6 January 1, 2010 through December 31, 2010 and \$250,000 from January 1, 2011, and thereafter shall be
 7 exempt from the tax imposed under this Subtitle 6A and will not be required to submit a tax return; provided,
 8 however, that said persons shall still be obligated to obtain a registration certificate, and submit City tax
 9 returns as specified by this Subtitle 6A, except that persons whose gross income or gross sales is \$12,000 or
 10 less will not be required to submit a tax return.

Tax Period Year	Gross Income Threshold
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

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

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