



City of Tacoma

City Council Action Memorandum

TO: Elizabeth Pauli, City Manager
FROM: Danielle Larson, Tax & License Manager, Finance Department
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Ordinance – Tacoma Municipal Code Chapters 6A.50 and 6A.100 Amendments – January 9, 2024
DATE: December 22, 2023

SUMMARY AND PURPOSE:

An ordinance amending Title 6, Municipal Code Chapters 6A.50 – Electricity Business and Solid Waste Collection tax and 6A.100 – Gross Earnings Tax – Utilities to simplify the deduction for collection commercial recyclable materials and align the taxability of the income between 6A.50 and 6A.100.

The amendments will 1) simplify the recycling deduction in Chapter 6A.50 to 100% of income received from the service of collecting recyclable materials when the business has a current Special Permit issued by the City’s Solid Waste Management Division under TMC 12.09.070.C.1 until such time that a recycling certification program can be implemented, 2) add a deduction to Chapter 6A.100 for 100% of income received by the City’s Solid Waste Management Division from collecting commercial recyclable materials and 3) general cleanup of language in Chapter 6A.50.

BACKGROUND:

The Finance Department’s Tax & License Division recommendation is based on requirements outlined in Tacoma’s City Charter that tax on public and private utilities should not be disproportionate. The City’s public utilities are taxed under Chapter 6A.100 which was established in 1951. 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 tax rate as Tacoma’s public utilities.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Staff invited all stakeholders from the local recycling industry to a meeting in October 2023 to better understand the solid waste/recycling industry and gather ideas and feedback on how the City can amend the recycling deduction to ease the administrative difficulty while continuing to incentivize companies to recycle. Concerns expressed during the stakeholder meeting were related to the 1) proposed recycling tax deduction, 2) whether Alternative Daily Cover (ADC) was considered a recyclable material and 3) the proposed definition of solid waste in Chapter 6A.50.

A solution was proposed to create a recycling certification that could tie to a tiered tax deduction depending on what percentage of the materials being collected are recycled. ADC will also be reviewed and how it could tie into a recycling certification and/or tiered tax deduction. Staff is going to look further into this solution and will come back to the Government Performance & Finance Committee in the fall of 2024 with a proposed recycling certification and tiered tax deduction that meets the local needs of Tacoma.



2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

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: Low Opportunity

Increase positive public perception related to the Tacoma economy.

Civic Engagement: Equity Index Score: Moderate Opportunity

Increase the percentage of residents who believe they are able to have a positive impact on the community and express trust in the public institutions in Tacoma.

Livability: Equity Index Score: Moderate Opportunity

Increase positive public perception of safety and overall quality of life.
Incentivize recycling while reducing waste going to the landfill.

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

Incentivizing the recycling of materials reduces the waste disposed of at the landfill. Recycling reduces pollution, conserves natural resources and energy and creates jobs, producing economic benefits.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
Remove or reduce percentage of recycling deduction from 6A.50	Additional revenues to the General Fund	Less incentive for companies to recycle materials

STAFF/SPONSOR RECOMMENDATION:

Staff recommends Council pass the Ordinance to 1) simplify the recycling deduction in Chapter 6A.50 to 100% of income received from the service of collecting recyclable materials when the business has a current Special Permit issued by the City's Solid Waste Management Division under TMC 12.09.070.C.1 until such time that a recycling certification program can be implemented, 2) add a deduction to Chapter 6A.100 for 100% of income received by the City's Solid Waste Management Division from collecting commercial recyclable materials and 3) general cleanup of language in Chapter 6A.50.

FISCAL IMPACT:

There will be an estimated decrease to the General Fund in 2024 of \$150,000 from the new deduction in Chapter 6A.100 - Gross Earnings Tax.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
0010 - Gross Earnings Tax	652000	6313040	(150,000)
TOTAL			(150,000)



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What Funding is being used to support the expense?

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

YES

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