



**TO:** T.C. Broadnax, City Manager  
**FROM:** Danielle Larson, Tax & License Manager, Tax & License  
Andy Cherullo, Finance Director  
**COPY:** City Council and City Clerk  
**SUBJECT:** Ordinance – Amending Title 6 Tax & License Code - December 2, 2014  
**DATE:** November 7, 2014

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**SUMMARY:**

Amending Title 6 of the Tacoma Municipal Code (TMC) to exempt businesses with annual gross income of less than \$250,000 from the requirement to file a City business and occupation tax return.

**STRATEGIC POLICY PRIORITY:**

Exempting businesses from the requirement to file a tax return every year when no tax is due fosters neighborhood, community and economic development vitality and sustainability and encourages and promotes an open, effective, results-oriented organization.

**BACKGROUND:**

In 2011, the City Council passed an ordinance establishing a threshold of \$250,000 annual gross income before businesses need to remit local B&O tax. However, the TMC requires businesses to file a tax return with the City indicating no tax is due.

**ISSUE:**

In 2013 there were approximately 5,400 Tacoma businesses that generated less than \$250,000 in annual gross income and filed a tax return with no tax due. Filing a no tax due return requires businesses to use staff time to complete and mail in the tax return. It also requires City staff to mail the tax return to the business and process the tax return when it is returned. In addition, if the business does not file the tax return by the due date, delinquent letters are mailed creating additional postage expense, processing, and staff time to answer phone calls.

**ALTERNATIVES:**

The alternative is to not amend the code and continue requiring businesses with annual gross income of less than \$250,000 to file tax returns with no tax due.

**RECOMMENDATION:**

City staff recommends the City Council adopt amendments to Title 6, allowing businesses who generate less than \$250,000 in annual gross income to not file a tax return. The amendment brings the filing requirement consistent with the requirement to remit tax to the City.

**FISCAL IMPACT:**

The amendment will save approximately \$15,000 in printing and mailing costs in the 2015/2016 biennial budget. In addition, it will save processing time for City staff.