



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Geoffrey M. Smyth, P.E., Interim Director, Environmental Services Department  
**COPY:** Government Performance & Finance Committee  
**PRESENTER:** Lewis Griffith, P.E., Solid Waste Management Division Manager  
John Henderson, Solid Waste Management Business Services Analyst  
**SUBJECT:** Proposed Amendments to Tacoma Municipal Code, Chapter 6A.50 – Electricity Business  
Solid Waste Collection Business Tax, Chapter 6A.100 – Utilities Gross Earnings Tax,  
and Section 12.09.070 – Special Permits  
**DATE:** August 20, 2024

**PRESENTATION TYPE:**  
Informational Briefing

**SUMMARY:**

Solid Waste Management Division (SWM) & the Finance Tax and License Division are proposing changes to the solid waste special permits and the recycling tax deduction for solid waste collection businesses. The proposed amendment would create a tiered structure in which the deduction is based on each business’s recycling rate. These changes will allow for fair taxation of solid waste collection businesses, while also creating an incentive for these businesses to increase recycling.

**BACKGROUND:**

Solid Waste Collection Business Tax

The 8% business & occupation utility tax on private solid waste collection businesses has not been broadly imposed due to a lack of clarity on its application. This gave most solid waste collection businesses an unfair financial advantage over those paying the tax, as well as over SWM, which pays an analogous tax under Tacoma Municipal Code (TMC) Chapter 6A.100. In January of 2024, City Council passed Ordinance 28933, which revised the definitions in TMC 6A.50 to add clarity on the applicability of the tax and required private businesses to obtain a Special Permit from SWM to be eligible for a recycling tax deduction. The ordinance also added a 100% deduction for recycling services provided by both public solid waste utilities and private solid waste collection businesses, with the intent to establish a tiered recycling tax deduction structure soon after.

Special Permits Program

Under TMC 12.09.050, SWM is solely responsible for solid waste services within City limits. SWM issues Special Permits, which exempt non-City entities from TMC 12.09.050, to allow commercial recycling and other specific waste hauling services. Under TMC Section 12.09.070 – Special Permits, recyclers must submit a data report to verify that they are providing recycling services. Historically, SWM has had limited capacity to track solid waste businesses operating in the City and enforce this section of code. Ordinance 28933 has created an incentive for businesses to obtain a Special Permit by requiring one in order to receive a recycling tax deduction. This, along with targeted outreach, has increased engagement with the permit program. SWM has issued 59 Special Permits year to date, whereas in prior years there have been fewer than ten permittees.



### Collaboration Strategy

The existing Special Permits code language and permit reporting requirement are being leveraged to apply a new tiered recycling tax deduction structure under TMC 6A.50 and TMC 6A.100. Tax & License, SWM, and private sector stakeholders have collaborated on how best to amend the code to accomplish several goals, which include increasing recycling, fair and consistent application of the tax code, and increased engagement with the Special Permits program and its data reporting requirement.

### Alternative Daily Cover

Stakeholders have expressed concern regarding the taxes imposed on Alternative Daily Cover (ADC). ADC is a category of materials used to cover up active landfill cells while refuse is not being added. ADC benefits landfill operations by controlling odors and inhibiting scavenging by animals. Soil is the default cover for this purpose, but it must be removed prior to adding more refuse to the cell. Alternatives, such as auto fluff (non-metal byproduct of vehicle recycling), allow for a single reuse of material that would otherwise have no beneficial use, and does not need to be removed prior to adding more refuse to the cell. Although ADC is not considered recycling according to the regulatory definitions in the Washington Administrative Code (WAC) Solid Waste Handling Standards, SWM has taken stakeholder concerns into account to incorporate ADC into the proposed tax structure.

### **ISSUES:**

The importance of conserving natural resources cannot be overstated as we face supply shortages and cause significant environmental degradation from resource extraction. In addition, our regional landfill is approaching the end of its capacity, likely to be reached within ten years. Diverting as much material as possible will reduce stress on our regional solid waste infrastructure. Finally, landfills themselves pose environmental hazards, and recyclable materials contribute pollutants to our air and water resources when placed in a landfill.

All businesses engaged in recycling are currently receiving a 100% tax deduction against the solid waste collection tax. This deduction was intended to be temporary while SWM and Tax & License collaborated on a permanent recycling tax deduction structure. Until a new deduction structure is adopted, the City will not be able to collect this tax on any business engaged in any recycling that holds a Special Permit.

### **ALTERNATIVES:**

#### Maintain Status Quo

If we maintain the current deduction structure any business conducting recycling will continue to receive a 100% deduction and therefore will not pay any Solid Waste Collection Business Tax. This would have a minimal impact on recycling rates, since there is no threshold for receiving this deduction, i.e., 1% recycling would receive a 100% deduction. Additionally, there would continue to be minimal revenue generated from this tax.

#### Remove Deduction

If we subject all solid waste businesses to the full 8% tax this would increase tax revenues in the short term, however we would not expect to see any increase in recycling rates. Additionally, the tax increase could discourage businesses from operating within the City, thereby reducing consumer choice and tax revenues.



Exemption for Low Earners and/or Junk Haulers

Small business owners have expressed concern that the recycling report will be too burdensome and may discourage them from operating within the City. For example, junk haulers do not always track sold or donated items, nor do they weigh all loads, making it difficult to calculate a recycling percentage by weight. For very small-scale operations, the tax revenue generated and recycling potential would be minimal. Under the current proposal, these companies could opt to not report recycling, in which case they would still need to obtain a Special Permit to operate, but would not receive a tax deduction.

Alternatively, we could exempt low earners from the tax, or apply a standard deduction to junk haulers based on industry standards. However, all of these businesses would still be subject to the City’s Solid Waste Customer Excise Tax and business license requirements.

Alternative Daily Cover

ADC is not a recyclable material according to Chapter 173-350 WAC – Solid Waste Handling Standards, because it is not remanufactured into a “usable or marketable materials for use other than landfill disposal or incineration,” and it is specifically excluded from the definition of “Reuse” within said regulation. Additionally, auto fluff is categorized as a miscellaneous, non-recyclable waste in the current Tacoma-Pierce County Solid and Hazardous Waste Management Plan.

Since it does not meet the regulatory definition of recyclable material, and since it is reused only one time, we are proposing a categorization of ADC as 50% recycling and 50% waste. However, we acknowledge that a case can be made for increasing or decreasing the defined recycling percentage of this material in our proposal.

**FISCAL IMPACT:**

It is estimated that the City will collect \$765,000 in Solid Waste Collection tax in 2025.

Revenue from businesses hauling recycling and ADC materials in 2023 was approximately \$800,000. The hauling of recycling and ADC materials were 100% exempt from Solid Waste Collection tax in 2024. Of the 95 businesses contacted, 75 were confirmed as a solid waste collection business. 26 filed a tax return in 2023 or 2024, and included data with their special permit application to help determine which deduction tier they would fall under. It is estimated that the 26 businesses will remit \$750,000 in Solid Waste Collection tax in 2025. The remaining 49 businesses are generally smaller, and we estimate they will generate approximately \$15,000 in tax revenues.



**RECOMMENDATION:**

Tiered Recycling Deduction

We recommend bringing the proposed amendments to the committee in October that will amend TMC 6A.50.060 and 6A.100.040 to remove the current 100% tax deduction for recycling services and replacing it with the following tiered deduction structure:

Tier	Recycling Rate	Tax Deduction
0	0%-1%	None
1	2% - 25%	12.5%
2	26% - 50%	37.5%
3	51% - 75%	62.5%
4	76% - 100%	100%

Alternative Daily Cover

For the purpose of applying the above deduction, ADC is considered 50% recycling and 50% waste by weight.

Special Permits Reporting Requirement

The above amendments would be accompanied by an amendment to TMC 12.09.070, which would require the recycling data report for:

- 1) Recycling haulers and processors, which hold a Special Permit to haul or process recycling above a specified percentage
- 2) Any other permittee that wants to be eligible for a recycling tax deduction under TMC Section 6A.50.060