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 – Chapter 6A.30 - Repeal International Investment Management Services Tax – November 5, 2024
DATE: October 15, 2024

SUMMARY AND PURPOSE:

An ordinance amending Tacoma Municipal Code Chapter 6A.30 related to International Investment Management Services tax to repeal the preferential tax rate and related deduction with an effective date of January 1, 2025, and amend various sections throughout 6A.30 to remove outdated language and bring the definition of Farmers consistent with other chapters in Title 6.

BACKGROUND:

The Finance Department's Tax & License Division recommendation is based on removing the preferential tax rate and related deduction for International Investment Management Services (IIMS) business activity and instead businesses would report IIMS activity under the Service & Other tax classification at a rate of .4% effective January 1, 2025.

Additionally, the recommendation is based on a review of Subtitle 6A removing language no longer applicable to current taxpayers and bringing the definition of Farmer consistent with other chapters in Title 6.

The Government Performance and Finance Committee voted unanimously on October 15, 2024, to move this proposal forward to the full City Council.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

All businesses that are potentially affected by the new tax rate were notified of the proposed amendments in September 2024.

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*: 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).

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
Repeal the IIMS deduction only and retain a lower tax rate between .0005 (.05%) and .002 (.2%) for IIMS activity.	Fiscal impact would depend on the chosen tax rate.	Does not bring IIMS activity level with other similar professional activity which is taxed at the service & other tax rate of 0.4%. The new revenues are in the proposed 25/26 budget, any change from the proposal would impact expected revenues.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends Council pass the Ordinance to amend Tacoma Municipal Code Chapter 6A.30, related to International Investment Management Services tax to repeal the preferential tax rate and related deduction with an effective date of January 1, 2025 and amend various sections throughout 6A.30, to remove outdated language and bring the definition of Farmers consistent with other chapters in Title 6.

FISCAL IMPACT:

There will be an estimated increase to the General Fund in 2025/2026 budget of $400,000 for the biennium.

Fund Number & Name	Cost Object (CC/WBS/Order)	Cost Element	Total Amount
0010 General Fund	106500	4316300	$200,000
TOTAL			

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
If the IIMS tax classification and deduction are repealed it is estimated to generate $200,000 in ongoing annual revenues to the general fund.

Will the legislation change the City's FTE/personnel counts?
No