



TO: Elizabeth Pauli, City Manager
FROM: Danielle Larson, Tax & License Manger, Finance Department
Andy Cherullo, Finance Department
COPY: City Council and City Clerk
SUBJECT: Ordinance Amendments to Tacoma Municipal Code, Title 6 – December 3, 2019
DATE: November 5, 2019

SUMMARY:

Two mandatory changes to cities business and occupation (B&O) tax model ordinance were made by the 2019 State Legislation in Substitute House Bill 1403 and Second Substitute House Bill 1059. These mandatory changes require amendments to Tacoma Municipal Code Title 6A, Business & Occupation Tax with an effective date of January 1, 2020

STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

Legislation adopted in the 2003 session required all cities with local B&O taxes to adopt a city B&O tax model ordinance. (RCW 35.102) The last update occurred in 2012. Over the summer, a workgroup of cities, in consultation with the business community, revised the model ordinance to include the changes to RCW 35.102 and to reflect other changes made to state law since 2012. All cities with local B&O taxes are required to adopt the mandatory changes by the end of the year.

ISSUE:

SHB 1403 – Service & Other Apportioned B&O Tax

In 2017, state legislation directed city and business representatives to create a seven-member task to recommend changes to RCW 35.102.130 that would:

- simplify the two-factor apportionment formula for municipal business and occupation taxes;
- develop a method for assigning gross receipts to a local jurisdiction using a market-based model; and
- focus on methods that rely on information typically available in commercial transactions and captured by common business recordkeeping systems

The taskforce submitted a report to the Legislature on October 31, 2018. As a result, legislators passed SHB 1403 amending RCW 35.102.130.

2SHB 1059 – Change to Annual B&O Tax Filing Date

Independent Contractors receive IRS Form 1099 by January 31 of the year following payment. This does not leave ample time for independent contractors to prepare and file their annual tax return due on January 31.

2SHB 1059 requires cities to change the due date for annual B&O tax filers from January 31 to April 15 beginning in 2021.



ALTERNATIVES:

The mandatory amendments to Title 6 are required to be adopted by the end of 2019.

RECOMMENDATION:

The mandatory amendments to Title 6 are required to be adopted by the end of 2019. Staff recommends the amendments to Title 6 be approved.

FISCAL IMPACT:

There is no fiscal impact to the 2019/2020 biennium.