ORDINANCE NO. 29006

AN ORDINANCE relating to gross earnings tax deductions; amending Chapter 6A.100 of the Municipal Code, related to Utilities Gross Earnings Tax - Public Utilities, by amending Section 6A.100.040, entitled “Deductions”, to add a deduction for grants; expand the deduction for interdepartmental rent to include all utilities; repeal tax deductions for Contributions In Aid of Construction, interest earned from bond proceeds, and the sale of property; remove deductions no longer utilized; update the tax deduction for hauling recyclable materials to a tiered structure; and clarify language.

WHEREAS the City is legally authorized to, and does, impose a Gross Earnings Tax (“GET”) on the City’s public utilities (Water, Power, Rail, Stormwater, Wastewater, and Solid Waste), and

WHEREAS the City may allow for deductions from GET, and there are currently 16 deductions listed in Tacoma Municipal Code (“TMC”) Section 6A.100.040, and

WHEREAS in a review of the current deductions listed in the TMC, it was determined that many of the deductions were outdated or not currently being used, and it is recommended that these deductions be removed, expanded, or clarified, and

WHEREAS in addition, there have been staff discussions with City-owned utilities for the past several years related to grant revenues, and there is not currently a deduction listed in TMC 6A.100.040 for grants, and

WHEREAS it was determined that the best path forward was to seek clarity from the City Council on adding a new deduction for grants, and

WHEREAS the City Charter states that tax on public and private utilities should not be disproportionate, and a new tiered tax deduction linked to a Recycling Rate calculation as outlined in the TMC Title 12 for businesses hauling solid waste is being added to TMC Chapter 6A.50, effective January 1, 2025, as a separate ordinance, which requires the same tiered tax deduction be added to TMC Chapter 6A.100, and

WHEREAS staff recommend repealing the tax deductions for Contributions In Aid of Construction – assets and/or cash given to City-owned utilities for utility projects, the sale of property, and interest earned from the proceeds of the sale of bonds, and

WHEREAS this recommendation would mean City-owned utilities will begin remitting GET on these activities effective January 1, 2025, and

WHEREAS the Government Performance and Finance Committee voted unanimously on November 19, 2024, to move this proposal forward to the full City Council; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That the Municipal Code be amended by amending Chapter 6A.100 of the Municipal Code, related to Utilities Gross Earnings Tax - Public Utilities, by amending Section 6A.100.040, entitled “Deductions”, to add a deduction for grants; expand the deduction for interdepartmental rent to include all utilities; repeal tax deductions for Contributions In Aid of Construction, interest earned from bond proceeds, and the sale of property; remove deductions no

longer utilized; update the tax deduction for hauling recyclable materials to a tiered structure; and clarify language, as more fully set forth in the attached Exhibit "A."

Section 2. That the City Clerk, in consultation with the City Attorney's Office, is authorized to make necessary corrections to Section 6A.100.040 of the Municipal Code consistent with this ordinance, including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers, and any references thereto.

Passed _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

EXHIBIT "A"

CHAPTER 6A.100
UTILITIES GROSS EARNINGS TAX – PUBLIC UTILITIES

* * *

6A.100.040 Deductions.

In computing the gross earnings tax due under the provisions of this chapter, there shall be deducted from the measure of the tax the following items:

A. Uncollected accounts, if the books of the utility are on an accrual basis as distinguished from a cash basis~~, except for charges or billings relating to providing cable television and telecommunications services~~.

B. Amounts received through contemplated or actual condemnation proceedings or on account of any federal, state, or local public work project.

C. Amounts received as compensation or reimbursement for damages ~~to or protection~~ of any property of the utility.

D~~D. Contributions for or in aid of construction.~~

~~E. Discounts, returns, allowances, and repossessions.~~

~~F. Amounts received from the sale or exchange of capital assets other than Christmas trees.~~

~~G. Only interest earned from the proceeds of the sale of bonds for construction purposes.~~

~~H.~~ Taxes collected as trust funds. Amounts collected from consumers to satisfy third-party obligations to pay taxes such as the retail sales tax, use tax or customer excise tax.

E~~I~~. Amounts received for street lights.

~~J. Amounts received for office rental from the City Credit Union and Retirement Office.~~

~~K. Rental received or credits given for operators' cottages.~~

~~L~~F. Fire service, hydrant rental.

G~~M.~~ Inter-departmental rent or other inter-departmental expense payments (i.e. postage, phone etc.)~~(deduction applicable only to Power Division)~~.

H~~N~~. Amounts received from surcharge to water rates charged outside City limits users for system improvements necessary to meet City standards.

~~O. Amounts received by waste-to-energy facilities from services provided to the public for disposal of waste products characterized as "alternative fuels," which shall mean a waste commodity that may be utilized as a fuel in a waste-to-energy facility, may or may not require some processing, provides an acceptable BTU value, creates manageable residual waste, or provides enhancement to other fuels. For purposes of this deduction, alternative fuels shall not constitute "waste" or "RDF."~~

~~P. Amounts paid for the purchase of electricity from a City department or division that has paid gross earnings taxes on such transaction under the provisions of this chapter.~~

~~Q~~I. Service of Collecting, Hauling and/or Processing Commercial Recyclable Materials.

1. For tax periods January 1, 2024, through December 31, 2024, ~~O~~one hundred percent (100%) of amounts received from the service of collecting commercial recyclable~~ing~~ materials.

2. For tax periods beginning January 1, 2025, Solid Waste Management may deduct a percentage of its gross income derived from the service of collecting, hauling and/or processing commercial recyclable materials. The Recycling Rate is calculated and certified annually as outlined in TMC 12.09.070.E. The annual certified Recycling Rate determines the amount of tax deduction for the subsequent calendar year as follows:

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%

J. Effective January 1, 2020, amounts received as grants.

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