



TO: Hyun Kim, Interim City Manager
FROM: Danielle Larson, Tax & License Manager, Andy Cherullo, Finance Director
COPY: Government Performance & Finance Committee
PRESENTER: Danielle Larson, Tax & License Manager
SUBJECT: Amendments to Subtitle 6A – Tax Code
DATE: February 3, 2026

PRESENTATION TYPE:

Request for Ordinance

SUMMARY:

The voter approved tax rate increase to the City's utility tax rates expires February 28, 2026. Amendments to Tacoma Municipal Code (TMC), Subtitle 6A – Tax Code are required to update the utility tax rates from 7.5% to 6% effective March 1, 2026, and the Natural Gas Use Tax rate of 6% effective July 1, 2026.

BACKGROUND:

Proposition No 3 (Streets Initiative) was passed by Tacoma voters in November 2015, authorizing the City to levy an additional 1.5% utility tax on natural gas, electric (power) and telephone services for ten years, beginning March 1, 2016, to fund street repair, maintenance and safety improvements for residential streets, arterials and freight access, including resurfacing, pothole repair, pedestrian safety improvements, school crossing beacons, and sidewalk improvements. The additional 1.5% tax levied on natural gas, electric and phone service expires on February 28, 2026, with the exception of natural gas use tax, collected by the State of Washington Department of Revenue on the city's behalf, expires on June 30, 2026.

ISSUE:

Amendments to TMC, Subtitle 6A – Tax Code are required to decrease the following utility tax rates from 7.5% to 6% effective March 1, 2026.

- Cellular/Pager (Chapter 6A.40)
- Telephone (Chapter 6A.40)
- Private Electricity Business (Chapter 6A.50)
- Natural Gas (Chapter 6A.90)
- Public Utility Power (Chapter 6A.100)

ALTERNATIVES:

There are no alternatives. The amendments to decrease the utility tax rates for natural gas, electric (power) and telephone services from 7.5% to 6% in the TMC are required.

FISCAL IMPACT:

The reduction in utility tax rates from 7.5% to 6% will reduce the annual revenues in the Streets Initiative Fund by \$10.5M.

RECOMMENDATION:

There are no alternatives. The amendments to decrease the utility tax rates for natural gas, electric (power) and telephone services from 7.5% to 6% in the TMC are required effective March 1, 2026, and the Natural Gas Use Tax rate of 6% effective July 1, 2026.