**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 – Amending Subtitle 6A - December 10, 2024**
**DATE:** **November 21, 2024**

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## SUMMARY AND PURPOSE:

An ordinance amending Subtitle 6A of the Municipal Code relating to private and public utility tax to update the tax deduction for hauling recyclable materials in Chapter 6A.50 and align tax deductions and refund statutes between Chapters 6A.40, 6A.50, 6A.90 and 6A.100, effective January 1, 2025.

## BACKGROUND:

The Finance Department's Tax & License Division recommendation is based on updating the tax deduction for hauling recyclable materials in Chapters 6A.50 - to a new tiered structure that is linked to a Recycling Rate calculated as outlined in Title 12. The structure provides an incentive to solid waste businesses to recycle, when possible, the materials they haul. The effective date is January 1, 2025.

Additionally, the recommendation is based on a review of Subtitle 6A removing language no longer applicable and bringing language consistent between TMC utility tax chapters:

- 6A.40 – Communications
- 6A.50 – Private Solid Waste Collection Tax
- 6A.90 – Natural Gas
- 6A.100 – Gross Earnings Tax - Public Utilities

The Government Performance & Finance Committee voted unanimously on November 19, 2024, to move this proposal forward to the full City Council.

## COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Staff invited all stakeholders from the local recycling industry to a meeting in October 2023 to better understand the solid waste/recycling industry and gather ideas and feedback on how the City can amend the recycling deduction to ease the administrative difficulty while continuing to incentivize companies to recycle. Concerns expressed during the stakeholder meeting were related to the 1) proposed recycling tax deduction, 2) whether Alternative Daily Cover (ADC) was considered a recyclable material and 3) the proposed definition of solid waste in Chapter 6A.50.

A solution was proposed to stakeholders at a meeting in December 2023 to create a recycling certification that would tie to a tiered tax deduction depending on what percentage of the materials being collected are recycled and to consider how ADC could fit into a recycling certification and/or tiered tax deduction.

Throughout 2024 staff met with stakeholders in July and September, as they worked to develop the solution through the Special Permits process outlined in Title 12 and tie it to a tiered tax deduction in Chapter 6A.50, to discuss and listen to feedback and concerns.

## 2025 STRATEGIC PRIORITIES:

**Equity and Accessibility:**
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.

**Civic Engagement:** *Equity Index Score*: Moderate Opportunity
Increase the percentage of residents who believe they are able to have a positive impact on the community and express trust in the public institutions in Tacoma.

**Livability:** *Equity Index Score*: Moderate Opportunity
Increase positive public perception of safety and overall quality of life.
Incentivize recycling while reducing waste going to the landfill.

**Explain how your legislation will affect the selected indicator(s).**
Incentivizing the recycling of materials reduces the waste disposed of at the landfill. Recycling reduces pollution, conserves natural resources and energy and creates jobs, producing economic benefits.

## ALTERNATIVES:

| Alternative(s) | Positive Impact(s) | Negative Impact(s) |
|---|---|---|
| Retain the current 100% deduction for hauling recyclable materials. | Businesses would pay less Solid Waste tax. | This would have a minimal impact on incentivizing waste diversion. General Fund revenues in the proposed 2025-2026 budget would fall short of expected amounts. |

## STAFF/SPONSOR RECOMMENDATION:

Staff recommends Council pass the Ordinance to amend Tacoma Municipal Code Chapter 6A.50, implementing a new tiered recycling tax deduction for solid waste businesses and to align tax deductions and refund statutes between all the utility tax chapters, including Chapters 6A.40 – Communications, 6A.90 – Natural Gas and 6A.100 – Gross Earnings Tax – Public Utilities with an effective date of January 1, 2025.

**FISCAL IMPACT:**
The estimated annual tax revenues from the business of hauling solid waste materials is expected to be $975,000, contributing a biennium total of $1,950,000 to the General Fund in 2025/2026. This recommendation is consistent with the 2025-2026 Proposed Budget.

| Fund Number & Name | COST OBJECT (CC/WBS/ORDER) | Cost Element | Total Amount |
|---|---|---|---|
| 0010 General Fund | 106500 | 4315850 | $975,000 |
| | | | |
| **TOTAL** | | | $975,000 |

**What Funding is being used to support the expense?**
Private Solid Waste Collection Tax goes directly into the General Fund and supports police and fire services, street repair & maintenance, libraries, and many other programs that support the community.

**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**

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