# ORDINANCE NO. 29009

AN ORDINANCE relating to business and occupation tax: amending Subtitle 6A of the Tacoma Municipal Code, relating to the Tax Code, by amending Chapter 6A.50, entitled “Electricity Business and Solid Waste Collection Business” to update the tax deduction for hauling recyclable materials, and by amending various chapters to align language regarding tax deductions and refund statutes, effective January 1, 2025.

WHEREAS this recommendation from the Tax and License Division of the Finance Department is based on amending Tacoma Municipal Code (“TMC”) Subtitle 6A, regarding private and public utility tax, updating the tax deduction for hauling recyclable materials in Chapter 6A.50 to a new tiered structure that is linked to a Recycling Rate calculated as outlined in Title 12 of the TMC, and

WHEREAS the structure provides an incentive to solid waste businesses to recycle, when possible, the materials they haul, effective January 1, 2025, and

WHEREAS additionally, the recommendation is based on a review of Subtitle 6A of the TMC, to remove language no longer applicable and bringing language consistent between the following utility tax chapters: 6A.40, entitled “Communications Tax”; 6A.50, entitled “Electricity Business and Solid Waste Collection Business”; 6A.90, entitled “Natural or Manufactured Gas Tax”; and 6A.100, entitled “Utilities Gross Earnings Tax – Public Utilities”, and

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

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That the City Council hereby adopts the Recitals of this Ordinance as its formal legislative findings.

Section 2. That Subtitle 6A of the Tacoma Municipal Code is hereby amended, effective January 1, 2025, as set forth in the attached Exhibit "A."

Section 3. That the City Clerk, in consultation with the City Attorney's Office, is authorized to make necessary corrections to this ordinance and Exhibit A, 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.40**
**COMMUNICATIONS TAX**

Sections:

* * *

6A.40.100 ~~Overpayment of tax.~~ *Repealed.*

* * *

**6A.40.060 Method of payment.**

The ~~license~~ tax imposed by this chapter shall be due and payable in monthly installments. Persons with gross income of less than $20,000 per month may pay the tax imposed by this chapter in quarterly installments.

**6A.40.070 Cellular telephone and/or pager services deductions.**

A. In computing tax imposed by this chapter, ~~T~~the following items may~~shall~~ be deducted from the ~~total~~ gross income ~~upon which the tax is computed~~:

1. That portion of the gross income derived from charges to another telecommunications company, as defined in RCW 80.04.010, for connecting fees, switching charges, or carrier access charges relating to intrastate toll telephone services.

2. Charges by a taxpayer engaging in a telephone business to a telecommunications company, as defined in RCW 80.04.010, for telephone service which the purchaser buys for the purpose of resale.

3. Adjustments made to a billing or to a customer account or to a telecommunications company accrual account in order to reverse a billing or charge that had been made as a result of third-party fraud or other crime and was not properly a debt of a customer.

B. A deduction from gross income for credit losses actually sustained by a taxpayer shall be allowed from companies which keep their regular books of account on an accrual basis.

C. Income excluded or deducted from the measure of tax under this chapter as a result of this section may be taxable under another chapter within Subtitle 6A, as appropriate.

* * *

**6A.40.100 ~~Overpayment of tax~~. Repealed.**

~~If, upon application by a taxpayer for a refund or for an audit of the taxpayer's records or upon an examination of the returns or records of any taxpayer, it is determined by the Director that within two years immediately preceding the receipt by the Director of the application by the taxpayer for a refund or for an audit, or, in the absence of such an application, within the two years immediately preceding the commencement by the Director of such examination, a tax has been paid in excess of that properly due, the excess amount paid within such period of two years shall be credited to the taxpayer's account or shall be refunded to the taxpayer, at their option. No refund or credit shall be allowed with respect to any payment made to the Director more than two years before the date of such application or examination. Where a refund or credit may not be made because of the lapse of said two-year period, the amount of the refund or credit which would otherwise be allowable for the portion of the statutory assessment period preceding the two-year period may be offset against the amount of any tax deficiency which may be determined by the Director for such preceding period.~~

* * *

## CHAPTER 6A.50
## ELECTRICITY BUSINESS AND SOLID WASTE COLLECTION BUSINESS

Sections:

* * *

6A.50.070 ~~Overpayment of tax.~~*Repealed.*

* * *

**6A.50.060 Deductions – Solid Waste Collection Business.**

A. In computing tax imposed by this chapter, the following items may be deducted from the gross income.

1. 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.~~Any state retail sales or use tax or state customer excise tax collected by the taxpayer from consumers to be remitted to the Washington State Department of Revenue.~~

2. Service of Collecting, Hauling and/or Processing Commercial Recyclable Materials.

a. For tax periods January 1, 2024 through December 31, 2024, ~~A~~a solid waste collection business that is issued a permit in 2024 under TMC 12.09.070.C.1 ~~by Solid Waste Management~~ may deduct one-hundred percent (100%) ~~percent~~ of its gross income derived from the service of collecting commercial recyclable materials.

b. For tax periods beginning January 1, 2025, a solid waste collection business that has a current special permit issued under TMC 12.09.070 may deduct a percent 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% |

~~3. Any city customer excise tax collected pursuant to TMC 6A.130.~~

~~4~~3. Uncollected accounts, if the books of the business are on an accrual basis as distinguished from a cash basis.

~~5~~4. Business activity of any person to which tax liability is specifically imposed under the provisions of Chapter 6A.100 (Utilities Gross Earnings Tax).

B. Income excluded or deducted from the measure of tax under this chapter as a result of this section may be taxable under another chapter within Subtitle 6A, as appropriate.

**6A.50.065 Deductions – Electricity Business.**

A. In computing tax imposed by this chapter, the following items may be deducted from the gross income.

1. There may be deducted from the total gross income upon which the tax is computed, the amount of wholesale sales of electricity to Tacoma Power.

2. Uncollected accounts, if the books of the business are on an accrual basis as distinguished from a cash basis.

3. Business activity of any person to which tax liability is specifically imposed under the provisions of Chapter 6A.100 (Utilities Gross Earnings Tax).

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

5. Amounts received as compensation or reimbursement for damages of any property of the utility.

6. 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.

B. Income excluded or deducted from the measure of tax under this chapter as a result of this section may be taxable under another chapter within Subtitle 6A, as appropriate.

**6A.50.070 ~~Overpayment of tax.~~ Repealed.**

~~If, upon application by a taxpayer for a refund or for an audit of the taxpayer's records or upon an examination of the returns or records of any taxpayer, it is determined by the Director that within two years immediately preceding the receipt by the Director of the application by the taxpayer for a refund or for any audit, or, in the absence of such an application, within the two years immediately preceding the commencement by the Director of such examination, a tax has been paid in excess of that properly due, the excess amount paid within such period of two years shall be credited to the taxpayer's account or shall be refunded to the taxpayer at their option. No refund or credit shall be allowed with respect to any payment made to the Director more than two years before the date of such application or examination. Where a refund or credit may not be made because of the lapse of said two-year period, the amount of the refund or credit which would otherwise be allowable for the portion of the statutory assessment period preceding the two-year period may be offset against the amount of any tax deficiency which may be determined by the Director for such preceding period.~~

* * *

## CHAPTER 6A.90
## NATURAL OR MANUFACTURED GAS TAX

Sections:

* * *

6A.90.060 ~~Monthly~~ Method of payment ~~of tax~~.
6A.90.070 ~~Overpayment of tax.~~ Repealed.

* * *

**6A.90.020 Definitions.**

~~"Gross income" means the value proceeding or accruing from the sale of tangible property or service, and receipts (including all sums earned or charged, whether received or not) by reason of the investment of capital in the business engaged in, including rentals, royalties, fees, or other emoluments, however designated (excluding receipts or proceeds from the use or sale of real property or any interest therein, and proceeds from the sale of notes, bonds, mortgages, or other evidences of indebtedness, or stocks and the like) and without any deduction on account of the cost of the property sold, the cost of materials used, labor costs, interest or discount paid, or any expense whatsoever, and without any deduction on account of losses.~~

"Activity incidental to the transmission, distribution, or sale of natural gas" involves service performed in connection with the transmission, distribution, or sale of natural gas for an existing natural gas customer. Incidental service charges include charges such as line extensions, testing, replacing meters, line repairs, line raisings, and meter reading fees, as well as charges for interest or penalties. Incidental activities do not include the sale of appliances.

**6A.90.030 Occupations subject to tax – Rate.**

Pursuant to RCW 35.21.870, there is hereby levied upon and shall be collected from every person engaged in or carrying on the business of transmitting, distributing, brokering, or selling natural or manufactured gas including "activity incidental to the transmissions, distributions or sale of natural gas" a fee or occupation tax equal to 7.5 percent of the total gross income from such business in the City.

| Activity | Rate |
|---|---|
| Natural or Manufactured Gas | 7.5% |

* * *

**6A.90.050 Exemptions and deductions.**

A. In computing tax imposed by this chapter, the following items may be deducted from the gross income. ~~Income excluded or deducted from the measure of tax under this chapter as a result of this section may be taxable under another chapter within Subtitle 6A, as appropriate.~~

~~A. Gross income which the City is prohibited from taxing under the constitution or laws of the state of Washington or the United States or the City Charter.~~

~~B~~1. Tax collected as trust funds. Amounts collected from consumers to satisfy third party obligations to pay taxes such as the ~~Any~~ retail sales tax, ~~or~~ use tax~~es~~ or customer excise tax ~~collected by the taxpayer from consumers to be remitted to the Washington State Department of Revenue.~~

2. Uncollected accounts if the books of the utility are on an accrual basis as distinguished from a cash basis.

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

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

~~C. Income derived from the activities of selling tangible personal property or providing services of a type that can be sold or provided by persons not in the business of transmitting, distributing, or selling natural gas for which a separate charge is made; provided, that income derived from activity incidental to transmitting, distributing, or selling natural gas may not be deducted from gross income subject to the tax under this chapter.~~

~~"Activity incidental to the transmission, distribution, or sale of natural gas" involves service performed in connection with the transmission, distribution, or sale of natural gas for an existing natural gas customer. Incidental service charges include charges such as line extensions, testing, replacing meters, line repairs, line raisings, and meter reading fees, as well as charges for interest or penalties. Incidental activities do not include the sale of appliances.~~

B. Income excluded or deducted from the measure of tax under this chapter as a result of this section may be taxable under another chapter within Subtitle 6A, as appropriate.

**6A.90.060 ~~Monthly~~ Method of payment ~~of tax~~.**

The tax imposed ~~required~~ by this chapter shall be due and payable in monthly installments. Persons with ~~is based upon~~ gross income of less than $20,000 per month, may pay the tax imposed by this chapter in quarterly installments. ~~and the taxpayer shall file and pay their tax monthly.~~

**6A.90.070 ~~Overpayment of tax.~~ Repealed.**

~~If, upon application by a taxpayer for a refund or for an audit of the taxpayer's records or upon an examination of the returns or records of any taxpayer, it is determined by the Director that within two years immediately preceding the receipt by the Director of the application by the taxpayer for a refund or for an audit, or, in the absence of such an application, within the two years immediately preceding the commencement by the Director of such examination, a tax has been paid in excess of that properly due, the excess amount paid within such period of two years shall be credited to the taxpayer's account or shall be refunded to the taxpayer, at their option. No refund or credit shall be allowed with respect to any payment made to the Director more than two years before the date of such application or examination. Where a refund or credit may not be made because of the lapse of said two-year period, the amount of the refund or credit which would otherwise be allowable for the portion of the statutory assessment period preceding the two-year period may be offset against the amount of any tax deficiency which may be determined by the Director for such preceding period.~~

## CHAPTER 6A.100

## ~~UTILITIES~~ GROSS EARNINGS TAX – PUBLIC UTILITIES

Sections:

* * *

6A.100.050 ~~Overpayment of tax.~~ Repealed.

* * *

**6A.100.050 ~~Overpayment of tax.~~ *Repealed.***

~~If, upon application by a taxpayer for a refund or for an audit of the taxpayer's records or upon an examination of the returns or records of any taxpayer, it is determined by the Director that within two years immediately preceding the receipt by the Director of the application by the taxpayer for a refund or for an audit, or, in the absence of such an application, within the two years immediately preceding the commencement by the Director of such examination, a tax has been paid in excess of that properly due, the excess amount paid within such period of two years shall be credited to the taxpayer's account or shall be refunded to the taxpayer, at their option. No refund or credit shall be allowed with respect to any payment made to the Director more than two years before the date of such application or examination. Where a refund or credit may not be made because of the lapse of said two-year period, the amount of the refund or credit which would otherwise be allowable for the portion of the statutory assessment period preceding the two-year period may be offset against the amount of any tax deficiency which may be determined by the Director for such preceding period. Interest upon any such refund or credit shall be allowed by the Director at the rate of 3 percent per annum.~~