SEATTLE CITY COUNCIL

Legislative Summary

CB 118715

Record No.: CB 118715 **Type:** Ordinance (Ord) **Status:** Passed

Version: 2 **Ord. no:** Ord 125083 **In Control:** City Clerk

File Created: 05/31/2016

Final Action: 07/29/2016

Title: AN ORDINANCE related to increasing the Business License Tax Certificate Fee and amending Sections 5.30.060 and 5.55.030 of the Seattle Municipal Code.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Burgess

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments:

Drafter: adam.schaefer@seattle.gov

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published: ☐ Yes ☐ No

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	06/07/2016	Mayor's leg transmitted to Council	City Clerk			
	Action Text: The Council Bill (CB) was Mayor's leg transmitted to Council. to the City Clerk **Notes:**						
1	City Clerk	06/07/2016	sent for review	Council President's Office			
	Action Text: The Council Bill (CB) was sent for review. to the Council President's Office **Notes:**						
1	Council President's Office	06/10/2016	sent for review	Affordable Housing, Neighborhoods, and Finance Committee			
	Action Text: The Council Bill (CB) was sent for review. to the Affordable Housing, Neighborhoods, and Finance Committee **Notes:**						

1	Full Council	07/05/2016	referred	Affordable Housing, Neighborhoods, and Finance Committee	
1	Affordable Housing, Neighborhoods, and Finance Committee	07/06/2016	discussed		
	Action Text:	The Council Bill (CB) was discussed.			
	Notes:				
1	Affordable Housing, Neighborhoods, and Finance Committee	07/20/2016	pass as amended		Pass
	Action Text:	The Committee recommends that Full Council pass as amended the Council Bill (CB).			
	Notes:	The Committee adopted the proposed substitute version. In Favor: 4 Chair Burgess, Vice Chair Herbold, Member Johnson, Alternate O'Brien Opposed: 0			
2	Full Council	07/25/2016	passed		Pass
	Action Text:	The Council Bill (CB) was passed by the following vote, and the President signed the Bill: In Favor: 8 Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant Opposed: 0			
2	City Clerk	07/26/2016	submitted for Mayor's signature	Mayor	
	Action Text:	The Council Bill (CB) was submitted for Mayor's signature. to the Mayor			
	Notes:				
2	Mayor	07/29/2016	Signed		
	Action Text:	The Council Bill (CB) was Signed.			
	Notes:				
2	Mayor	07/29/2016	returned	City Clerk	
	Action Text:	The Council Bill (CB) was returned. to the City Clerk			
	Notes:				
2	City Clerk	07/29/2016	attested by City Clerk		
	Action Text:	The Ordinance (Ord) was attested by City Clerk.			
	Notes:				

CITY OF SEATTLE

ORDINANCE 125083

COUNCIL BILL 118715

AN ORDINANCE related to increasing the Business License Tax Certificate Fee and amending Sections 5.30.060 and 5.55.030 of the Seattle Municipal Code.

WHEREAS, Mayor Murray's 2016 State of the City speech doubled the original goal for expanding the City's police force from 100 new officers to a total of 200; and

WHEREAS, the recently completed police staffing study validated community concerns about the need to increase police visibility and investigatory resources; and

WHEREAS, Mayor Murray's 2016 State of the City called for updates and increased capacity at the City's 911 call center; and

WHEREAS, the Seattle Police Department's (SPD) call center is facing increasing call volumes that have placed a growing strain on the current system. Calls have increased by 13 percent since 2010, and recent trends show no slowing in this growth; and

WHEREAS, initial work in developing SPD's budget for the 2017-2018 biennium has identified the need for a number of significant information technology investments; and

WHEREAS, SPD is engaged in several large-scale technology projects. These include development of a Data Analysis Platform (DAP) that will allow SPD to closely track both individual officer performance and department-wide trends with an envisioned future state allowing for better use of available crime data to target police resources and deployment of body-worn cameras to all patrol officers; and

WHEREAS, additional revenues are needed in order to fund these vital measures; and

WHEREAS, the City currently imposes a business license tax certificate fee on businesses engaging in business in the City; and

WHEREAS, the business license tax certificate fee is currently set at an annual rate of $110 for businesses with worldwide gross income of more than $20,000 and at $55 for businesses with worldwide gross income of $20,000 or less; and

WHEREAS, the City Council wishes to maintain the existing business license tax fee rates for the vast majority of businesses; and

WHEREAS, the City wishes to fund a minimum of 80 percent of the total anticipated annual costs for the new goal of expanding police staffing and other law enforcement initiatives through an increase in the business and occupation tax and through changes to the business license tax certificate fee rates and tier structure; and

WHEREAS, the City anticipates funding the balance of costs for expanding police staffing and other law enforcement initiatives beginning in 2019 through a combination of efficiencies and growth in the General Subfund; and

WHEREAS, in order to raise additional revenue, the City intends to increase the business license tax certificate fee rates and also to increase the number of business license tax fee rate tiers; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 5.55.030.A of the Seattle Municipal Code, which section was last amended by Ordinance 124808, is amended as follows:

5.55.030 License requirements

A. No person, unless specifically exempted, shall engage in any business activity, profession, trade, or occupation in the City without having first obtained and being the holder of a valid and subsisting license to do so, to be known as a "business license tax certificate." ((~~The fee for the business license tax certificate shall be $110 for persons with worldwide gross income~~

~~of the business and value of products of more than $20,000 in the current calendar year that engage in any business activity, profession, trade or occupation in the City prior to July 1st and $55 for persons beginning their activity on or after July 1st. The business license tax certificate fee for persons with worldwide gross income of the business and value of products of $20,000 or less in the current calendar year will be $55 if prior to July 1st and $27.50 for persons beginning their activity on or after July 1st. The fee shall accompany the application for the license.))~~

Effective January 1, 2017, through December 31, 2017, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than $20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $27.50 for such persons beginning their activity on or after July 1;

2. One hundred ten dollars for persons with taxable gross income of the business and value of products of $20,000 or more but less than $500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $55 for such persons beginning their activity on or after July 1;

3. Four hundred eighty dollars for persons with taxable gross income of the business and value of products of $500,000 or more but less than $2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $240 for such persons beginning their activity on or after July 1;

4. One thousand dollars for persons with taxable gross income of the business and value of products of $2,000,000 or more in the most recent complete calendar year

that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $500 for such persons beginning their activity on or after July 1.

Effective January 1, 2018 to December 31, 2018, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than $20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $27.50 for such persons beginning their activity on or after July 1;

2. One hundred ten dollars for persons with taxable gross income of the business and value of products of $20,000 or more but less than $500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $55 for such persons beginning their activity on or after July 1;

3. Four hundred eighty dollars for persons with taxable gross income of the business and value of products of $500,000 or more but less than $2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $240 for such persons beginning their activity on or after July 1;

4. One thousand dollars for persons with taxable gross income of the business and value of products of $2,000,000 or more but less than $5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $500 for such persons beginning their activity on or after July 1.

5. Two thousand dollars for persons with taxable gross income of the business and value of products of $5,000,000 or more in the most recent complete calendar year

that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $1,000 for such persons beginning their activity on or after July 1.

Effective January 1, 2019 to December 31, 2019, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than $20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $27.50 for such persons beginning their activity on or after July 1;

2. One hundred ten dollars for persons with taxable gross income of the business and value of products of $20,000 or more but less than $500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $55 for such persons beginning their activity on or after July 1;

3. Five hundred dollars for persons with taxable gross income of the business and value of products of $500,000 or more but less than $2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $250 for such persons beginning their activity on or after July 1;

4. One thousand two hundred dollars for persons with taxable gross income of the business and value of products of $2,000,000 or more but less than $5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $600 for such persons beginning their activity on or after July 1.

5. Two thousand four hundred dollars for persons with taxable gross income of the business and value of products of $5,000,000 or more in the most recent complete calendar

year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and $1,200 for such persons beginning their activity on or after July 1.

On January 1, 2020 and on January 1 of every year thereafter, the fees for the business license tax certificate shall be increased for all persons consistent with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bremerton area as published by the United States Department of Labor. To calculate the new annual fees, each prior year's fee will be multiplied by the sum of one and the annual percent change in the CPU-U. If the annual change in the CPI-U is negative, no adjustment shall be made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.

The fee shall accompany the application for the license. Persons who did not engage in business in the City in the most recent complete calendar year shall pay the minimum full or partial year fee amount at the time of application and the Director shall bill the person after the conclusion of the calendar year of the application for any remaining amount based on the fee schedule in this subsection 5.55.030.A and the person's taxable gross income of the business and value of products during the calendar year of the application.

The business license tax certificate shall expire at the end of the calendar year for which it is issued. The business license tax certificate shall be personal and nontransferable except as provided in subsection 5.55.030.G. Applications for the business license tax certificate shall be made to the Director of Finance and Administrative Services on forms provided by the Director. Each business license tax certificate shall be numbered, shall show the name, place, and character of the business of the licensee, and such other information as the Director deems necessary, and shall at all times be conspicuously posted in the place of business for which it is issued.

If the licensee changes the place of business, the licensee shall return the business license tax certificate to the Director and a new business license tax certificate shall be issued for the new place of business free of charge.

Section 2. Section 5.30.060 of the Seattle Municipal Code, last amended by Ordinance 124833, is amended as follows:

5.30.060 Definitions, T—Z

A. "Tax year," "taxable year." "Tax year" or "taxable year" means the calendar year.

B. "Taxable gross income of the business and the value of products," as used in Section 5.55.030 to determine the business license tax certificate fee, means the taxpayer's total amount of gross income of the business and the value of products less any deductions available to the taxpayer under Chapter 5.45.

((~~B~~)) C. "Taxpayer" means any "person," as herein defined, required by Chapter 5.55 to have a business license tax certificate, or liable for any license, tax or fee, or for the collection of any tax or fee, under Chapters 5.32 (((~~Amusement Devices~~)) Revenue Code), 5.35 (Commercial Parking Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), and 5.52 (Gambling Tax) or who engages in any business or who performs any act for which a tax or fee is imposed under those chapters.

((~~C~~)) D. "Telecommunications service" or "((~~Telephone~~)) telephone business" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. It includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or

routing without regard to whether such service is referred to as voice over internet protocol services or is classified by the ((~~federal communications commission~~)) Federal Communications Commission as enhanced or value added. Telecommunication services or telephone business also includes ancillary services that are associated with or incidental to the provision of telecommunication services including, but not limited to, conference bridging, detailed telecommunications billing, directory assistance, vertical service, or voice mail services as defined in RCW 82.04.065.

Telecommunication services or telephone business also includes those activities previously used to define telephone business such as the providing by any person of access to a local telephone network, local telephone network switching service, toll service, cellular or mobile telephone service, coin telephone services, pager service, or the providing of telephonic, video, data, or similar communication or transmission for hire, via a local telephone network, toll line or channel, cable, microwave, or similar communication or transmission system. The term includes the provision of cooperative or farmer line telephone services or associations operating exchanges. The term also includes the provision of transmission to and from the site of an internet provider via a local telephone network, toll line or channel, cable, microwave, or similar communication or transmission system. "Telecommunication service or telephone business" does not include the providing of competitive telephone service, data processing, providing of cable television service, or other providing of broadcast services by radio or television stations.

((~~D~~)) E. "Tour operator business" means a business activity of purchasing various travel components, such as transportation, lodging, meals, and other associated services and reselling the same to consumers where the purchaser/reseller is liable itself to pay the vendor of the components purchased and does not make payment solely as an agent for the consumer.

((~~E~~)) F. "Tuition fee" includes library, laboratory, health service, and other special fees, and amounts charged for room and board by an educational institution when the property or service for which such charges are made is furnished exclusively to the students or faculty of such institution. "Educational institution," as used in this section, means only those institutions created or generally accredited as such by the state and includes educational programs that such educational institution cosponsors with a non-profit organization, as defined by Section 501(c)(3) of the Internal Revenue Code, as hereafter amended, if such educational institution grants college credit for coursework successfully completed through the educational program, or an approved branch campus of a foreign degree-granting institution in compliance with chapter 28B.90 RCW, and in accordance with RCW 82.04.4332 or defined as a degree-granting institution under RCW 28B.85.010(3) and accredited by an accrediting association recognized by the United States ((~~secretary of education~~)) Secretary of Education, and offering to students an educational program of a general academic nature or those institutions which are not operated for profit and which are privately endowed under a deed of trust to offer instruction in trade, industry, and agriculture, but not including specialty schools, business colleges, other trade schools, or similar institutions.

((~~F~~)) G. "Value proceeding or accruing" means the consideration, whether money, credits, rights, or other property expressed in terms of money, a person is entitled to receive or accrue or which is actually received or accrued. The term shall be applied, in each case, on a cash receipts or accrual basis according to which method of accounting is regularly employed in keeping the books of the taxpayer.

((~~G~~)) H. "Value of products, how determined ((~~.~~))"

1. The value of products, including by-products, extracted or manufactured ((,)) shall be determined by the gross proceeds derived from the sale thereof, whether such sale is at wholesale or at retail, to which shall be added all subsidies and bonuses received from the purchaser or from any other person with respect to the extraction, manufacture, or sale of such products or by-products by the seller.

2. Where such products, including by-products, are extracted or manufactured for commercial or industrial use, and where such products, including by-products, are shipped, transported, or transferred out of the City, or to another person, without prior sale or are sold under circumstances such that the gross proceeds from the sale are not indicative of the true value or the subject matter of the sale, the value shall correspond as nearly as possible to the gross proceeds from sales in this state of similar products of like quality and character, and in similar quantities by other taxpayers, plus the amount of subsidies or bonuses ordinarily payable by the purchaser or by any third person with respect to the extraction, manufacture, or sale of such products. In the absence of sales of similar products as a guide to value, such value may be determined upon a cost basis. In such cases, there shall be included every item of cost attributable to the particular article or article extracted or manufactured, including direct and indirect overhead costs. The Director of Finance and Administrative Services may prescribe uniform and equitable rules for the purpose of ascertaining such values.

3. Notwithstanding subsection ((~~2 above~~)) 5.30.060.H.2, the value of a product manufactured or produced for purposes of serving as a prototype for the development of a new or improved product shall correspond to:

a. The retail selling price of such new or improved product when first offered for sale; or

b. The value of materials ((~~incorporate~~)) incorporated into the prototype in cases in which the new or improved product is not offered for sale.

((~~H~~)) I. "Wholesaling" means engaging in the activity of making sales at wholesale, and is reported under the wholesaling classification.

((~~I~~)) J. "Yardwaste" has the meaning given in ((~~SMC~~)) Section 21.36.016.

Section 3. Pursuant to RCW 35.21.706, this ordinance is subject to the referendum procedure specified in that state law. A referendum petition may be filed within seven days of the passage of the ordinance with the filing officer of the City, which is hereby designated to be the City Clerk, located on the third floor of City Hall, 600 Fourth Avenue, Seattle, Washington. Within ten days of filing the petition, the City Clerk shall confer with the petitioner concerning the form and style of the petition, issue the petition an identification number, and secure an accurate, concise, and positive ballot title from the City Attorney. The petitioner shall then have 30 days in which to secure the signatures of not less than 15 percent of the registered voters of the City, as of the last municipal general election, upon petition forms which contain the ballot title and the full text of the measure to be referred. Signed petition forms that are timely submitted to the City Clerk shall be transmitted to the King County Director of Records and Elections, who shall verify the sufficiency of the signatures on the petition and report to the City Clerk. If sufficient valid signatures are properly submitted, the City Clerk shall so inform the City Council, which shall submit the referendum measure to the voters at a special election to be held on the next City election date, as provided in RCW 29A.04.330, that occurs not less than 45 days after the county's report of sufficiency is received by the City Clerk, unless a general election will occur within 90 days of receipt of that report, in which event the proposed ordinance will be submitted at the general election. State law, RCW 35.21.706, provides that the

1 referendum procedure in this section is exclusive and that this ordinance is not subject to any

2 other referendum or initiative process.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 25th day of July, 2016, and signed by me in open session in authentication of its passage this 25th day of July, 2016.

President _____ of the City Council

Approved by me this 29th day of July, 2016.

Edward B. Murray, Mayor

Filed by me this 29th day of July, 2016.

Monica Martinez Simmons, City Clerk

(Seal)