

Clerk File No. 309765

The City of Seattle – Legislative Department

Clerk File sponsored by: _____

Clerk File No. 309765

Department of Executive Administration Rule No. 5-038, implementing Seattle Business Tax Ordinance relating to effect of rate changes on prior contracts and sales agreements.

Committee Action:

Date	Recommendation	Vote

Related Legislation File: _____

Date Introduced and Referred:	To: (committee):
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action:	Disposition: <i>Filed</i>

This file is complete and ready for presentation to Full Council. _____

Full Council Action:

Date	Decision	Vote

1/23/09

Date Filed with City Clerk

Emilia M. Sanchez

By

THE CITY OF SEATTLE
DIRECTOR'S RULE
IMPLEMENTING SEATTLE BUSINESS TAX ORDINANCE
RULE 5-038

Seattle Rule 5-038 **Effect of rate changes on prior contracts and sales agreements.**

- (1) **Introduction.** The following principles govern the applicability of tax rate changes imposed under Title 5 of the Seattle Municipal Code with respect to contracts and sales agreements made prior to the effective date of the change:

 - (a) When an unconditional contract to sell tangible personal property is entered into prior to the effective date of a rate change, and the goods are delivered after that date, the new rates will be applicable to the transaction. When an unconditional contract to sell tangible property is entered into prior to the effective date, and the goods are delivered prior to the effective date, the tax rates in effect for the prior period will be applicable.
 - (b) When a contract to sell tangible personal property contains a specific provision to pass title at some time prior to delivery of the goods, such a specific provision will be deemed controlling and the tax rates in effect at the time will be applicable.
- (2) The retailing business license tax due on conditional and installment sales must be wholly reported during the period in which the sale is made (see Seattle Rule 5-126).
- (3) Lessors of tangible personal property must pay the business license tax at the new tax rates on all rental payments which fall due on and after the effective date of a rate change, including rental payments on leases entered into prior to that date.
- (4) Persons installing, repairing, cleaning, altering, imprinting or improving tangible personal property for others, or constructing, repairing, decorating or improving buildings or other structures upon the real property of others will pay the retailing business license tax at the new rates with respect to all such services performed and billed on and after the effective date of a tax rate change. With respect to contracts requiring the above services or construction which were executed prior to the effective date of a change in rates, the new rates will be applicable to the full contract price unless the contract work is completed and accepted prior to the effective date. If, however, under the terms of the contract, the seller is entitled to periodic payments which amounts are calculated to compensate the seller for the work completed to the date of payment, the applicable tax rates upon such payments (including, in the case of public works contracts, the percentage retained by the public agency) will be those in effect at the time the contractor becomes entitled to receive the payments.
- (5) Taxpayers allowed to file returns on the cash basis and reporting "charge" sales at the time payment is received rather than at the time of sale must make an accounts receivable adjustment (see Seattle Rule 5-037) at the time of a change in tax rates. For example, if a tax rate change becomes effective July 1, a cash basis taxpayer should report all accounts receivable outstanding as of June 30 on their second quarter tax return along with the June cash receipts. (An accrual based taxpayer may only use cash basis reporting if they generally make multiple adjustments to client's bills.)

Effective: January, 2009.

THE CITY OF SEATTLE
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RULE 5-038

DIRECTOR'S CERTIFICATION

I, Dwight Dively, Finance Director of the City of Seattle, do hereby certify under penalty of perjury of law, that the within and foregoing is a true and correct copy as adopted by the City of Seattle, Department of Executive Administration.

DATED this 20TH day of January, 2009

CITY OF SEATTLE,
a Washington municipality

By:



Dwight Dively, Director
Finance Department