

THE CITY OF SEATTLE
Director's Rule
Implementing Seattle Business Tax Ordinance

Seattle rule 5-521 Stock Brokers and Security Houses

(1) Introduction. With respect to stockbrokers and security houses, "gross income of the business" means the total of gross income from interest, gross income from commissions, gross income from trading and gross income from all other sources. Provided that:

- (a) Gross income from each account is to be computed separately and on a monthly basis;
- (b) Loss sustained upon any earnings account may not be deducted from or offset against gross income upon any other account, nor may a loss sustained upon any earnings account during any month be deducted from the gross income upon any account for any other month;
- (c) No deductions are allowed on account of salaries or commissions paid to employees or salespersons, rent, or any other overhead or operating expenses paid or incurred, or on account of losses other than under (b) above;
- (d) No deductions are allowed from commissions received from sales of securities which are delivered to buyers outside the state of Washington,

(2) Business and Occupation Tax. Revenue from the following transactions are taxable under the service classification:

- (a) Gross income from interest. Gross income from interest includes all interest received upon bonds or other securities held for sale or otherwise, excepting only direct obligations of the federal government and of the State of Washington. No deduction is allowed for interest paid out even though such interest may have been paid to banks, clearing houses or others upon amounts borrowed to carry debit balances of customers' margin accounts.
Interest accrued upon bonds or other securities sold shall be included in gross income where such interest is carried in an interest account and not as part of the selling price. Conversely, interest accrued upon bonds or other securities at the time of purchase may be deducted from gross income where such interest is carried in an interest account and not as a part of the purchase price.
- (b) Gross income from commissions. Gross income from commissions is the amount received as commissions upon transactions for the accounts of customers over and above the amount paid to other established security houses associated in such transactions: Provided, however, that no deduction or offset is allowed on account of salaries or commissions paid to salespersons or other employees.
- (c) Gross income from trading. Gross income from trading is the amount received from the sale of stocks, bonds and other securities over and above the cost or purchase price of such stocks, bonds and other securities. In the case of short sales, gross earnings shall be reported in the month during which the transaction is closed, that is, when the purchase is made to cover such sales or the short sale contract is forfeited.
- (d) Gross income from all other sources. Gross income from all other sources includes all income received by the taxpayer, other than from interest, commissions and trading, such as dividends upon stocks, fees for examinations, fees for reorganizations, etc.

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(3) Apportionment. Stockbrokers and security houses engaging in business in and outside the City are required to apportion income for business license tax purposes.

(a) For tax periods beginning on and after January 1, 2008. Effective January 1, 2008, taxpayers who report income under the Service and Other Activities tax classification per SMC 5.45.050(G) must apportion their income under the two-factor method provided in SMC 5.45.081 and prescribed by RCW 35.102.130. This includes stockbrokers and security houses.

(b) For tax periods prior to January 1, 2008. Taxpayers who reported income under the Service and Other Activities tax classification per SMC 5.45.050(G) were instructed which revenues would be assigned to the City under SMC 5.45.080. Taxpayers may refer to Rule 5-032 for additional information on assigning revenue prior to January 1, 2008.

DIRECTOR'S CERTIFICATION

I, Glen Lee, 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 Finance and Administrative Services.

DATED this 16th day of September 2014.

CITY OF SEATTLE,

a Washington municipality

By: _____

Glen Lee, Finance Director

Department of Finance and Administrative Services

Effective date: September 16, 2014

FILED
CITY OF SEATTLE

2014 SEP 16 PM 4:26

CITY CLERK

MEMORANDUM

TO: Monica Martinez Simmons, City Clerk

FROM: Glen Lee, Finance Director
Joseph Cunha, City Tax Administrator
License & Tax Administration

DATE: September 16, 2014

RE: The Official Published Notice:
**Director's Business Tax Rules adoption for SMC Chapter 5.45
Effective September 16, 2014**

Please file the attached paperwork concerning the following City of Seattle "Tax Rules" 5-620 Hospitals, other medical care facilities, and adult family homes; 5-522 International Investment Management Services Rule; 5-012 Refunds; 5-129 Tribes and Tribal Members/Citizens; and, 5-521 Stock Brokers and Security Houses.

An Affidavit of Publication for the "Notice of Proposed Rule Hearing and Opportunity to Comment" that went to the *Daily Journal of Commerce* for publication on August 6, 2014 is also included in this packet. The required public hearing was held on August 19, 2014 at 10:00 A.M. in Seattle Municipal Tower.

If we can provide any additional information, please let us know. You may contact Joseph Cunha, at 233-7820 for any questions.

STATE OF WASHINGTON -- KING COUNTY

--SS.

314156
CITY OF SEATTLE:FINANCE&ADMIN

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

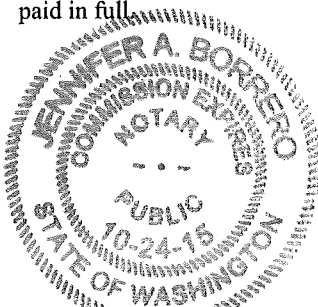
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:TAX RULE HEARING

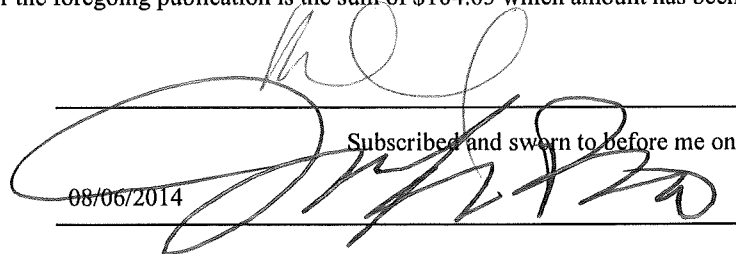
was published on

08/06/14

The amount of the fee charged for the foregoing publication is the sum of \$104.65 which amount has been paid in full.



Affidavit of Publication


Subscribed and sworn to before me on
08/06/2014

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

NOTICE OF PROPOSED RULE MAKING HEARING

AND OPPORTUNITY TO COMMENT

The Director of Finance, acting under the authority of Seattle Municipal Code Chapters 5.02 and 5.55, proposes to adopt new rules for implementing the Seattle Business License Tax Ordinance (Seattle Municipal Code,

Chapter 5.45). Please note that although these rules are applicable to SMC 5.45, the individual rules may also apply to other chapters of the City's Tax Code, including, but not limited to, SMC 5.30 (Definitions), SMC 5.32 (Revenue Code), SMC 5.35 (Commercial Parking Tax), SMC 5.40 (Admissions Tax), SMC 5.48 (Business Tax - Utilities), SMC 5.52 (Gambling Tax), and SMC 5.55 (General Administrative Provisions). The following rules are proposed for adoption or amendment and will become effective as of September 9, 2014:

Seattle Rule 5-015 Refunds

Seattle Rule 5-129 Tribes and Tribal members/Citizens

Seattle Rule 5-521 Stockbrokers and Security Houses

Seattle Rule 5-522 International Investment Management

Seattle Rule 5-620 Hospitals, other medical care facilities, adult family homes

PUBLIC HEARING AND COMMENT:

The Department of Executive Administration has scheduled a public hearing on the proposed rule changes for 10:00 p.m. to 12:00 p.m., on Tuesday, August 19, 2014. The hearing will be held in a conference room on the 40th floor of the Seattle Municipal Tower, Suite 4070, located at 700 Fifth Avenue. All interested persons are invited to present data, views, or arguments, with regard to the proposed rules, orally at the hearing, or in writing at or before the hearing.

Written comments should be mailed or delivered to:

Department of Finance and
Administrative Services

Attn: Joseph A. Cunha, Tax Manager

License and Tax Administration

700 Fifth Avenue - Suite 4250

P.O. Box 34214

Seattle, Washington 98124-4214

The public may inspect copies of the proposed rules at the License and Tax Administration offices, 700 Fifth Avenue, Suite 4250. If you would like a copy of the proposed rules, please call (206) 233-3789, FAX (206) 684-5170, email: rca.bizlictx@seattle.gov, or submit a written request to the address above.

Glen Lee, Finance Director,
Department of Finance and
Administrative Services

Date of publication in the Seattle Daily
Journal of Commerce, August 6, 2014.

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