

ORDINANCE No. 118022

COUNCIL BILL No. 111060

my Law Department

INTERRUPTED

The City of Seattle--Legislative Department

REPORT OF COMMITTEE

AN ORDINANCE relating to business and
occupational taxes levied on the City of Seattle
Municipal Code Sections 25.44.110, 140,
180, 182

OK

COMPTROLLER FILE No. _____

Introduced: DEC 11 1995	By: DRAGO
Referred: DEC 11 1995	To: BUSINESS AND LABOR POLICY
Referred: JAN 29 1996	To: Finance
Referred:	To:
Reported: FEB 26 1996	Second Reading: FEB 26 1996
Third Reading: FEB 26 1996	Signed: FEB 26 1996
Presented to Mayor: FEB 27 1996	Approved: FEB 28 1996
Returned to City Clerk: FEB 23 1996	Published: Full
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

Honorable President:

Your Committee on _____

to which was referred the within Council Bill No. _____
report that we have considered the same and respectfully recommend that t

2/21/96 Pass

Full Council Vote 8-0

Martha Chase

Committee Chair

ORDINANCE 118022

AN ORDINANCE relating to business and occupation taxes and amending Seattle Municipal Code Sections 5.44.110, .140, .180, and .200.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.44.110 of the Seattle Municipal Code (Ordinance 72630, § 10, as last amended by Ordinance 117801, § 6) is further amended as follows:

5.44.110 Deductions allowed in computing license fees.

In computing the license fee or tax, there may be deducted from the measure of tax the following items:

F. Amounts received from the United States or any instrumentality thereof or from the State of Washington or any municipal corporation or political subdivision thereof as compensation for, or to support, health or social welfare services rendered by a health or social welfare organization or by a municipal corporation or political subdivision (-), except deductions are not allowed under this section for amounts that are received under an employee benefit plan. The terms "health or social welfare services" and "health or social welfare organization," have the meanings contained in RCW 82.04.431,

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1 enacted as Chapter 196, Laws of 1979, 1st Ex. Sess. Section 6, as
2 now existing or hereafter amended;

3 Section 2. Section 5.44.140 of the Seattle Municipal Code
4 (Ordinance 72630, § 13, as last amended by Ordinance 117800, §1)
5 is further amended as follows:

6 **5.44.140 When tax due -- Returns.**

7 C. Any person who reasonably estimates that the value of
8 products, gross proceeds of sales, or gross income of the
9 business, as the case may be, subject to tax after all allowable
10 deductions, will not exceed Fifty Thousand Dollars (\$50,000.00)
11 (the "threshold amount") in the current calendar year may file a
12 declaration so stating on a form supplied by the Director at the
13 same time he or she files his or her application for a business
14 license or a renewal. Any person whose declaration is accepted
15 by the Finance Director shall be assigned to an annual reporting
16 basis. Any person whose value of products, gross proceeds of
17 sales, or gross income of the business, subject to tax after all
18 allowable deductions, does not exceed the threshold amount in the
19 current calendar year, shall file a return, declare no tax due on
20 their (~~quarterly or~~) annual return, and submit the return to
21 the Finance Department. The gross receipts and deduction amounts
22 shall be entered on the tax return even though no tax may be due.
23 Quarterly, or annual returns as authorized, must be filed
24 regardless of whether or not any tax is owed. Returns not
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1 received on or before the due date will be subject to late
2 charges pursuant to SMC Section 5.44.180.

3 Section 3. Section 5.44.180 of the Seattle Municipal Code
4 (Ordinance 72630, § 17, as last amended by Ordinance 117801, §8)
5 is further amended as follows:

6 **5.44.180 Payments -- Extension -- Late penalty.**

7 The Finance Director for good cause shown may extend the
8 time for filing any return as required under this chapter and may
9 grant such reasonable additional time within which to file such
10 returns as he or she may deem proper. If any tax return, or
11 payment of any tax, is not received by the City Finance Director
12 on or before the last day of the month following the end of the
13 quarterly or annual period in which the tax accrued (the "due
14 date") pursuant to SMC Section 5.44.140(A), there shall be
15 assessed a penalty of five percent (5%) of the amount due with a
16 minimum penalty of Five Dollars (\$5.00); and if the return and/or
17 tax is not received (~~((by the fifteenth day of the month following~~
18 ~~the month in which the))~~ within thirty (30) days from the due
19 date (~~(falls)~~), there shall be assessed a total penalty of ten
20 percent (10%) of the amount due with a minimum penalty of Fifteen
21 Dollars (\$15.00); and if the return and/or tax is not received
22 (~~((by the first day of the second month next succeeding the month~~
23 ~~in which the))~~ within sixty (60) days from the due date
24 (~~(falls)~~), there shall be assessed a total penalty of twenty
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1 percent (20%) of the amount due, with a minimum penalty of
2 Twenty-five Dollars (\$25.00).

3 Section 4. Section 5.44.200 of the Seattle Municipal Code
4 (Ordinance 72630, § 19, as last amended by Ordinance 117408, §22)
5 is further amended as follows:

6 **5.44.200 Returns confidential -- Exceptions.**

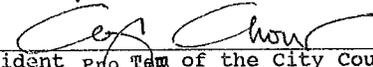
7 B. Authority provided in this chapter to disclose
8 information shall not be construed as authority to give, sell or
9 provide access to lists of individuals for commercial purposes,
10 provided that lists of applicants for professional licenses and
11 of professional licensees shall be made available to professional
12 organizations recognized by their professional examining board
13 upon payment of a reasonable fee therefor. Provided, such
14 returns and information may be subject to inspection, for
15 official purposes only, by the Mayor, City Attorney, Finance
16 Director or his or her authorized agent, the City Auditor or
17 his/her authorized agent, Chief of Police or his or her
18 authorized agent, members of the City Council, or their
19 authorized agents, the Director of the Office of Management and
20 Planning or his or her authorized agent; and the Executive
21 Director of the Seattle Ethics and Elections Commission or his or
22 her authorized agent, and when in the course of City duties
23 presented to the Commission, to its members; provided that
24 nothing in this section shall prohibit the Executive Director

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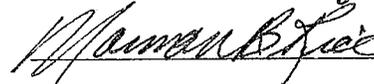
1 the Seattle Ethics and Elections Commission from giving such
2 facts or information in evidence in any hearing conducted by the
3 Commission; and provided further that nothing in this section
4 shall prohibit the Finance Director or any member or employee of
5 the Department of Finance (~~Licenses and Consumer Affairs~~) from:
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7 Section 5. This ordinance shall take effect and be in force
8 thirty (30) days from and after its approval by the Mayor, but if
9 not approved and returned by the Mayor within ten (10) days after
10 presentation, it shall take effect as provided by Municipal Code
11 Section 1.04.020.

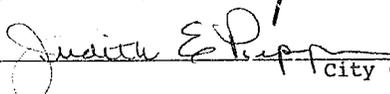
12 Passed by the City Council the 26 day of February,
13 1995, and signed by me in open session in authentication of its
14 passage this 26 day of February, 1995.

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16 
President ~~Pro Tem~~ of the City Council

17 Approved by me this 28 day of February, 1995.

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Mayor

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21 Filed by me this 28 day of February, 1995.

22 
City Clerk

24 (Seal)

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November 27, 1995

The Honorable Jan Drago
Seattle City Council
600 Fourth Avenue, 11th Floor
Seattle, WA 98104

Via: Mayor's Office

Attention: Tom Tierney, Director, Office of Management and Planning

Subject: Proposed Ordinance Clarify Deduction for Amounts Received from
Government Entities for Health or Social Welfare Services and To Change
Penalty Dates.

Dear Councilmember Drago:

The attached ordinance amends Chapter 5 of the Seattle Municipal Code. It continues the ongoing efforts by the Finance and Law Departments to clarify the City's tax code. The ordinance would clarify a deduction allowed for amounts received by hospitals or clinics from the United States Government, the State of Washington, or any other municipal corporation or subdivision for health or social welfare services. The ordinance also changes the penalty dates associated with business tax returns, and corrects minor procedural and reference errors in the code.

Section 1. SMC 5.44.110 titled "deductions allowed in computing license fees" allows a deduction for all amounts received from the United States or any instrumentality thereof or from the State of Washington or any municipal corporation or political subdivision thereof as compensation for, or to support, health or social welfare services rendered by a health or social welfare organization or by a municipal corporation or political subdivision. This has always been interpreted to mean Medicare, Medicaid, or other governmental programs to help offset hospital and medical costs for those individuals who can not afford the care. In 1980, the State of Washington clarified their similar deduction to exclude from the deduction "amounts received under an employee benefit plan". The City did not make this distinction between Medicare or similar "charitable" payments and employee benefit plan payments in the SMC. However, the City did adopt a state rule (WAC 458-20-169) which did address this exclusion to the deduction. The Finance Department would like to add clarifying language, similar to the State's, to the SMC. This would clarify the City's long-standing intent that amounts paid by the State, the City, or other governments for employee benefit plans to hospitals and other health care organizations would be taxable and not deductible. The federal government has exempted by law their federal employee benefit plan payments. It is important to recognize that this proposal is not a change in application of the SMC, and it is entirely consistent with the State's approach.

Section 3. SMC 5.44.180 can be confusing as to when penalty amounts are due and when those penalty amounts increase to the next level. This proposed amendment remedies that concern. The Finance Department desires to clarify the wording and also increase the

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period of time before the penalty percentage goes from five percent to ten percent, and then to twenty percent. The present ordinance increases the five percent (5%) penalty to ten percent (10%) after only fifteen (15) days, and goes to twenty percent (20%) after only thirty (30) days. Many times the Finance Department has not had a chance to contact the taxpayer to inform them that the City did not receive their tax return before the penalty reached the twenty percent level. The proposed ordinance increases the time between the five percent (5%) penalty and the ten percent (10%) penalty to thirty (30) days. The twenty percent (20%) penalty would take effect after sixty (60) days. This action would also bring the City in line with other taxing jurisdictions.

Sections 2 and 4. Section two is a minor procedural change, and section four is a minor reference change which was omitted from the ordinance combining the Department of License and Consumer Affairs with the Finance Department.

If you have any questions concerning the ordinance proposal, please contact Mel McDonald, Director of the Revenue and Consumer Affairs Division at 233-0071.



Dwight Dively
Finance Director

Enclosure

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City of Seattle

Executive Department—Office of Management and Planning

Thomas M. Tierney, Director
Norman B. Rice, Mayor



November 27, 1995

*10/11/95
N.B. Rice*

The Honorable Mark Sidran
City Attorney
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT: Department of Finance

SUBJECT: AN ORDINANCE relating to business and occupation taxes and amending Seattle Municipal Code Sections 5.44.110, .140, .180, .200.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Jeanette Martin at 684-8071.

Sincerely:

Norman B. Rice
Norman B. Rice, Jr.
Mayor

by

Tom Tierney, Director

legis/martin30

Enclosure

COPY RECEIVED
95 DEC -4 AM 10:37
SEATTLE CITY ATTORNEY

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TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Jandrago _____

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

PRESIDENT'S SIGNATURE

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STATE OF WASHINGTON - KING COUNTY

65401
City of Seattle, City Clerk

—ss.

No. ORD IN FULL

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:ORD 118022

was published on

03/12/96

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

Subscribed and sworn to before me on

03/12/96

Notary Public for the State of Washington,
residing in Seattle

Affidavit of Publication

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