

ORDINANCE No. 118822

*we*

*APL*  
COUNCIL BILL No. 111935

The City of

AN ORDINANCE relating to deductions allowed for artistic or cultural organizations in computing business licenses and business and occupation taxes and amending Seattle Municipal Code Section 5.44.470.

21

Honorable President:

Your Committee on \_\_\_\_\_

to which was referred the within Council report that we have considered the same

COMPTROLLER FILE No. \_\_\_\_\_

Introduced: OCT 27 1997	By: CHOE
Referred: OCT 27 1997	To: Budget
Referred:	To:
Referred:	To:
Reported: 11-13-97	Second Reading:
Third Reading: 11-13-97	Signed: 11-13-97
Presented to Mayor: 11-13-97	Approved: NOV 21 1997
Returned to City Clerk: NOV 21 1997	Published: 2pp. full
Vetted by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

11-13-97 Budget

11-13-97 Full Cou

7-0

(K) B

# The City of Seattle--Legislative Department

## REPORT OF COMMITTEE

Date Reported  
and Adopted

President:

Committee on

was referred the within Council Bill No.

that we have considered the same and respectfully recommend that the same:

8-97 Budget Pass As Amended

97 Fall Council Action: Passed As Amended

7-0

Opposed: (Donaldson, Nelson)

  
Committee Chair

ORDINANCE 118822

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3 AN ORDINANCE relating to deductions allowed for artistic or cultural organizations in computing  
4 business licenses and business and occupation taxes; amending Seattle Municipal Code Section  
5 5.44.470.

6 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

7 Section 1. Section 5.44.470 of the Seattle Municipal Code (Ordinance 72630, § 10, as amended) is  
8 further amended by adding the following new subsection and renumbering subsequent subsections:

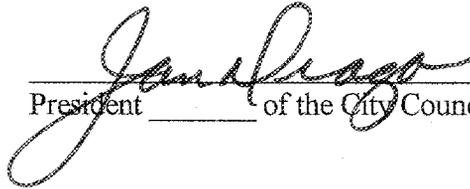
9 **5.44.470 Deductions allowed in computing tax or fees.**

10 In computing the tax or fee due under this subchapter, there may be deducted from the measure of  
11 tax the following items:

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15 I. Amounts, other than gross income from retail sales as defined in subsection 5.44.026(3)(a) and  
16 subsection 5.44.026(3)(e)(iv), received by an artistic or cultural organization which represent gross income  
17 derived from business conducted by that organization. The term "artistic or cultural organization" means an  
18 organization that qualifies, under the definition in RCW 82.04.4328, as now existing or hereafter amended,  
19 for deduction or exemption from state taxation.

20  
21 Section 2. This ordinance shall take effect and be in force thirty (30) days from and after its approval  
22 by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall  
23 take effect as provided by Municipal Code Section 1.04.020.  
24

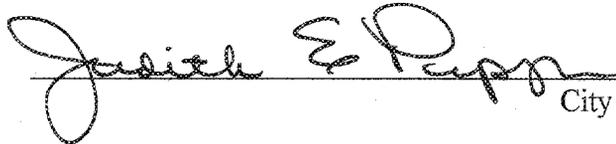
1 Passed by the City Council the 13<sup>th</sup> day of November 1997, and signed by me in open session  
2 in authentication of its passage this 13<sup>th</sup> day of November, 1997.

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5 \_\_\_\_\_  
6 President \_\_\_\_\_ of the City Council

7 Approved by me this 21<sup>st</sup> day of November, 1997.

8   
9 \_\_\_\_\_  
10 Mayor

11 Filed by me this 21 day of November, 1997.

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13 \_\_\_\_\_  
14 City Clerk

15 (Seal)  
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ORDINANCE \_\_\_\_\_

AN ORDINANCE relating to deductions allowed for artistic or cultural organizations in computing business licenses and business and occupation taxes and amending Seattle Municipal Code Section 5.44.470.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.44.470 of the Seattle Municipal Code (Ordinance 72630, § 10, as amended) is further amended to read as follows:

**5.44.470 Deductions allowed in computing tax or fees.**

In computing the tax or fee due under this subchapter, there may be deducted from the measure of tax the following items:

- .
- .
- .

I. Amounts received by artistic or cultural organizations which represent gross income derived from business activities conducted by the organizations, if the artistic or cultural organization is registered as provided in SMC Sections 5.40.080 through 5.40.085. Except, no deduction is allowed for amounts received by the organizations which represent gross income from retail sales activities. The term "artistic or cultural organization" has the meanings contained in RCW 82.04.4328, as now existing or hereafter amended.



Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 1997.

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\_\_\_\_\_  
Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 1997.

\_\_\_\_\_  
City Clerk

(Seal)



# City of Seattle

Norman B. Rice, Mayor

**Executive Services Department**

Dwight D. Dively, Director

October 17, 1997

The Honorable Martha Choe  
Seattle City Council  
600 Fourth Avenue, 11<sup>th</sup> Floor  
Seattle, Washington 98104

Re: Ordinance and Information Requested for Clarifying the Business and Occupation Tax for Arts and Cultural Organizations.

Dear Councilmember Choe:

The attached ordinance is in response to your request that an ordinance be written to clarify the business and occupation (B & O) tax as it concerns arts and cultural organizations. In 1996, Ordinance 118314 deleted the provision which had previously given qualified arts and cultural organizations a one-hundred percent deduction on all revenue earned. In deleting this provision in 1996, the Mayor and Council intended that only the retailing revenue of arts and cultural organizations would be taxable since revenues from admission charges to arts and cultural events were deductible for B & O tax purposes under another provision in the Seattle Municipal Code (SMC). During 1997, arts and cultural organizations explained that they had many other types of revenue besides revenue from admissions and from the retail sales of concessions and souvenirs. Some examples of other revenue received by these organizations included grant income, subcontract revenue, and advertising.

As stated above, it was the intention of the City to tax only the retail sales of these arts and cultural organizations. The attached ordinance makes this clear by reinstating the original deduction, with the provision that all retailing activity conducted by the arts and cultural organizations will be subject to the B & O tax. By continuing to tax the retail sales of arts and cultural organizations, these groups will remain on an even footing with all other for-profit or non-profit retailers.

Revenue & Consumer Affairs, 600 Fourth Avenue - Room 103, Seattle, WA 98104-1891

Tel: (206) 684-8300, TDD: (206) 233-7810, FAX: (206) 684-5170, <http://www.ci.seattle.wa.us>

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**Budget Impact.**

The budget impact of this ordinance will be very minimal since no tax, other than retailing B & O tax, was remitted by arts and cultural organizations during 1997. Ordinance 118314, passed in 1996, was projected to add approximately \$10,000 per year to the general fund by taxing the retailing activity of the arts and cultural groups. Most of the arts and cultural organizations do not reach the City's minimum threshold of \$50,000 of taxable retail sales per year and therefore pay no B & O tax under ordinance 118314. To ESD's knowledge, no business and occupation tax has been paid in 1997 on income generated from activities other than retail sales, and there should be no refund requests for taxes paid in error.

If you have questions or need further information concerning the information contained in the ordinance or this letter, please contact Mel McDonald, Director Revenue and Consumer Affairs Division at 233-0071.

Sincerely,



Dwight D. Dively  
Director, Executive Services Department

Enclosure

cc: Mel McDonald, Director RCA  
Glen Lee, Office of Management & Planning

**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:

*Martha Chase*      *To: Budget*

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**FOR CITY COUNCIL PRESIDENT USE ONLY**

COMMITTEE(S) REFERRED TO: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
PRESIDENT'S SIGNATURE

STATE OF WASHINGTON - KING COUNTY

87553  
City of Seattle, City Clerk

—SS.

No. ORDINANCE IN

City of Seattle

ORDINANCE 118822

AN ORDINANCE relating to deductions allowed for artistic or cultural organizations in computing business licenses and business and occupation taxes; amending Seattle Municipal Code Section 5.44.470.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.44.470 of the Seattle Municipal Code (Ordinance 72630, § 10, as amended) is further amended by adding the following new subsection and renumbering subsequent subsections:

5.44.470 DEDUCTIONS ALLOWED IN COMPUTING TAX OR FEES.

In computing the tax or fee due under this subchapter, there may be deducted from the measure of the tax the following items:

- 1. Amounts, other than gross income from retail sales as defined in subsection 5.44.020(3)(a) and subsection 5.44.020(3)(b), received by an artistic or cultural organization which represent gross income derived from business conducted by that organization. The term "artistic or cultural organization" means an organization that qualifies under the definition in RCW 42.04.2328, as now existing or hereafter amended, for deduction or exemption from state taxation.

Section 2. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 13th day of November, 1997, and signed by me in open session in authentication of its passage this 13th day of November, 1997.

JAN DRAGO,  
President of the City Council.  
Approved by me this 21st day of November, 1997.

NORMAN R. RICE,  
Mayor.  
Filed by me this 21st day of November, 1997.

(Seal) JUDITH E. PIPPIN,  
City Clerk.  
Publication ordered by JUDITH PIPPIN, City Clerk.

Date of official publication in Daily Journal of Commerce, Seattle, December 11, 1997. 12/11(87553)

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 118822

was published on

12/11/97

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

*[Signature]*  
Subscribed and sworn to before me on  
12/11/97  
*[Signature]*

Notary Public for the State of Washington, residing in Seattle