

Ordinance No. 123239

Council Bill No. 116788

AN ORDINANCE relating to business licensing; correcting cross-references between sections related to the business license tax and the square footage business tax; and amending Sections 5.30.025G, 5.30.050, 5.45.080D, 5.45.081, 5.45.082, and 5.46.030E of the Seattle Municipal Code in connection therewith.

# The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Jean Golden  
Councilmember

## Committee Action:

Do Pass - JG, NL, MDS

2-10-10 Passed 8-0 (Excused: Condon)

CF No. \_\_\_\_\_

Date Introduced:	<u>2-1-10</u>	
Date 1st Referred:	<u>2-1-10</u>	
Date Re - Referred:	To: (committee) <u>Finance &amp; Budget</u>	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote: <u>8-0</u>	
Date Presented to Mayor:	Date Approved: <u>2-12-10</u>	
Date Returned to City Clerk:	Date Published:	T.O. _____ F.I. <input checked="" type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready for presentation to Full Council. Committee: \_\_\_\_\_  
(initial/date)

*Law Department*

Law Dept. Review

OMP Review

City Clerk Review

Electronic Copy Loaded

Indexed



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1  
2 Section 3. Effective January 1, 2010, subsection C of section 5.30.050 of the Seattle  
3 Municipal Code, as last amended by Ordinance 123063, is amended as follows:

4 C. "Sale at wholesale," "wholesale sale." "Sale at wholesale" or "wholesale sale" means any sale  
5 of tangible personal property which is not a retail sale, and any charge made for labor and  
6 services rendered for persons who are not consumers, in respect to real or personal property and  
7 retail services, if such charge is expressly defined as a retail sale or retail service when rendered  
8 to or for consumers. Sale at wholesale also includes the sale of telephone business to another  
9 telecommunications company for the purpose of resale, as contemplated by RCW 35.21.715.  
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11  
12 Notwithstanding the above, "sale at wholesale" or "wholesale sale" shall specifically not include  
13 a distribution cooperative's or its distribution affiliate's sales of merchandise to a customer-owner  
14 of the distribution cooperative for the customer-owner's resale at retail. A distribution  
15 cooperative or a distribution affiliate is taxed on such sales pursuant to Section 5.45.050(~~(G)~~)H  
16 of the Seattle Municipal Code.  
17

18 Section 4. Effective January 1, 2010, subsection D of section 5.45.080 of the Seattle  
19 Municipal Code, as last amended by Ordinance 122563, is amended as follows:

20  
21 D. If the Director determines that the allocation of gross income from business activities for a  
22 person subject to subsection C above and taxable under the "other business activities"  
23 classification (SMC 5.45.050(~~(G)~~)H) does not fairly reflect gross income derived from business  
24 activities within the City, the Director shall determine such gross income by either of the  
25 following methods: (a) by a fair and equitable formula agreed upon by the Director and the  
26



1 taxpayer after a consideration of the facts; or (b) by the ratio that the cost of doing business  
2 within the City bears to the cost of doing business both within and without the City. For  
3 apportionment purposes, all costs must be assigned to an office location.

4 Section 5. Effective January 1, 2010, Section 5.45.081 of the Seattle Municipal Code, as  
5 last amended by Ordinance 122563, is amended as follows:

6 **SMC 5.45.081 Assignment of revenues.**

7 Beginning on January 1, 2008, and with the exception of those persons subject to the provisions  
8 of chapter 82.14A RCW, this section will be used to assign revenue for purposes of the business  
9 license tax imposed under SMC 5.45.050.  
10

11 A. Gross income derived from all activities other than those taxed under SMC 5.45.050F,  
12 ~~((and))~~ SMC 5.45.050G, and SMC 5.45.050H shall be assigned to the location where the activity  
13 takes place.

14 B. For sales of tangible personal property, the activity takes place where delivery to the buyer  
15 occurs.  
16

17 C. Gross income derived from international investment management services taxed under SMC  
18 5.45.050G and from service and other business activity taxed under SMC 5.45.050~~((G))~~H shall  
19 be apportioned to the city by multiplying apportionable income by a fraction, the numerator of  
20 which is the payroll factor plus the service and other business activity income factor and the  
21 denominator of which is two (2).  
22

23 \*\*\*

24 Section 6. Effective January 1, 2010, Section 5.45.082 of the Seattle Municipal Code, as  
25 last amended by Ordinance 121266, is amended as follows:  
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**SMC 5.45.082 Ancillary activities of motor carriers and freight brokers.**

1  
2 A. Ancillary activities of motor carriers include but are not limited to stevedoring, separately  
3 billed charges for loading, unloading, sorting, storage, consolidation charges, and other charges  
4 not representing the actual transportation charge. The charges for ancillary activities shall be  
5 recorded separately from the transportation charges and reported under the “other business  
6 activity” classification (Section 5.45.050(~~G~~)H).

7  
8 B. Freight brokers should report revenue from brokering activities under the “other business  
9 activity” classification (Section 5.45.050(~~G~~)H).

10 C. Gross receipts from the activities contained in Section 5.45.082 A & B above are subject to  
11 the apportionment provisions contained in 5.45.080.

12  
13 Section 7. Effective January 1, 2010, Subsection 5.46.030E of the Seattle Municipal Code, as  
14 last amended by Ordinance 123063, is amended as follows:

15  
16 E. Any person required to pay the square footage business tax imposed in this chapter that also  
17 pays the business license tax as imposed in SMC 5.45.050 may take a credit against the square  
18 footage business tax computed as follows:

19  
20 1. The credit is equal to the square footage business tax owed for the reporting period multiplied  
21 by the ratio of adjusted gross income derived from the Seattle business location(s) for the  
22 reporting period to the total gross income derived from the Seattle business location(s) for the  
23 reporting period.



1 2. For the purpose of this section, “total gross income derived from the Seattle business  
2 location(s)” is equal to the total gross income derived from the business activities rendered by,  
3 generated from, or attributable to the place(s) of business located within the city.

4 3. For the purpose of this section, “adjusted gross income derived from the Seattle business  
5 location(s)” shall include total gross income derived from the Seattle business location(s) less:

6 (a) income derived from the sale of tangible personal property and retail services by the Seattle  
7 business location(s) delivered to a location within the State of Washington where no local  
8 jurisdiction imposes an eligible gross receipts tax; and

9 (b) the gross income of the Seattle business location(s) subject to the business license tax under  
10 SMC 5.45.050((G))H as determined by SMC 5.45.060 through SMC 5.45.080 less the gross  
11 income of the Seattle business location(s) subject to the business license tax under SMC  
12 5.45.050((G))H as determined by SMC 5.45.060 through SMC 5.45.076 and SMC 5.45.081.  
13

14 \* \* \*

15  
16 Section 8. The provisions of this ordinance are declared to be separate and severable. If  
17 one or more of the provisions of this ordinance shall be declared by any court of competent  
18 jurisdiction to be contrary to law, the provision shall be severed from the rest of the ordinance  
19 and all other provisions shall remain valid.

20  
21 Section 9. This ordinance shall take effect and be in force thirty (30) days from and after  
22 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days  
23 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.  
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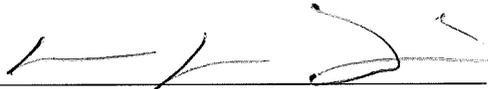


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Passed by the City Council the 8<sup>th</sup> day of February, 2010,  
and signed by me in open session in authentication of its passage this  
8<sup>th</sup> day of February, 2010.

  
President Pro Tem of the City Council

Approved by me this 12<sup>th</sup> day of February, 2010.

  
Mayor

Filed by me this 12<sup>th</sup> day of February, 2010.

  
City Clerk

(Seal)



**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>DOF Analyst/Phone:</b>
Department of Finance	Dwight Dively	Dwight Dively 4-5212

**Legislation Title:**

AN ORDINANCE relating to business licensing; correcting cross-references between sections related to the business license tax and the square footage business tax; and amending Sections 5.30.025G, 5.30.050, 5.45.080D, 5.45.081, 5.45.082, and 5.46.030E of the Seattle Municipal Code in connection therewith.

• **Summary of the Legislation:**

This legislation amends the Seattle Municipal Code (SMC) to update cross-references between sections related to the business license tax and the square footage business tax. These changes are needed because Ordinance 123099 created a new business license tax classification for “international investment management services” and renumbered SMC 5.45.050.

• **Background:**

The City’s business license tax and square footage business tax include a range of provisions that reference other sections. Ordinance 123099 changed the numbering of the tax classifications in SMC 5.45.050, thereby necessitating some changes in cross-references.

- x This legislation has financial implications.

This legislation makes technical changes by cross referencing Seattle Municipal Code sections regarding the City’s business license tax and square footage business tax. The legislation does not appropriate new funds, and all related revenues are assumed in the 2010 Adopted Budget.





# City of Seattle

Gregory J. Nickels, Mayor

## Office of the Mayor

December 22, 2009

Honorable Richard Conlin  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that amends the Seattle Municipal Code (SMC) to correct cross-references among several sections related to the business license tax (commonly known as the business & occupation tax) and the square footage business tax. These changes are needed because Ordinance 123099, which added a new business license tax classification for international investment management services, renumbered the tax classifications.

The proposed Bill does not affect tax liabilities for any firm and does not affect City revenues. Thank you for your consideration of this legislation. Should you have questions, please contact Dwight Dively at 684-5212.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels".

GREG NICKELS  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

