



**Agenda Sheet for City Council Meeting of:**  
11/27/2023

<b>Date Rec'd</b>	11/15/2023
<b>Clerk's File #</b>	ORD C36468
<b>Renews #</b>	
<b>Cross Ref #</b>	
<b>Project #</b>	
<b>Bid #</b>	
<b>Requisition #</b>	

<b>Submitting Dept</b>	FINANCE, TREASURY & ADMIN
<b>Contact Name/Phone</b>	TONYA WALLACE 625-6845
<b>Contact E-Mail</b>	TWALLACE@SPOKANECITY.ORG
<b>Agenda Item Type</b>	First Reading Ordinance
<b>Agenda Item Name</b>	0410 - FINANCE - TEMPOARY UTILITY TAX INCREASE

**Agenda Wording**

Approve the Ordinance for a temporary increase to utility tax for Solid Waste, Wastewater and Water.

**Summary (Background)**

The Mayor's 2024 Proposed Budget, a temporary utility tax increase of 1% was included to bridge the funding gap in the General Fund. In order to implement this proposal, SMC 08.10.030 must be updated to read those providing solid waste collection services, operating a public wastewater collection and treatment system and selling or furnishing water for hire will be taxed at 21% of gross income. A provision is included to have rates automatically revert back to the original tax rate on 1/1/25.

Lease? NO Grant related? NO Public Works? NO

**Fiscal Impact**

Select	\$
Select	\$
Select	\$
Select	\$

**Budget Account**

#
#
#
#

**Approvals**

<b>Dept Head</b>	MURRAY, MICHELLE
<b>Division Director</b>	WALLACE, TONYA
<b>Finance</b>	MURRAY, MICHELLE
<b>Legal</b>	PICCOLO, MIKE
<b>For the Mayor</b>	JONES, GARRETT

**Council Notifications**

<b>Study Session\Other</b>	F&A Committee 11/20/2023
<b>Council Sponsor</b>	Kinnear, Wilkerson, Cathcart

**Distribution List**

**Additional Approvals**

<b>Purchasing</b>	

## Committee Agenda Sheet

### Finance & Administration Committee

<b>Submitting Department</b>	Finance
<b>Contact Name</b>	Tonya Wallace
<b>Contact Email &amp; Phone</b>	twallace@spokanecity.org, 509-844-4456
<b>Council Sponsor(s)</b>	CP Kinnear, CM Wilkerson & CM Cathcart
<b>Select Agenda Item Type</b>	<input checked="" type="checkbox"/> Consent <input type="checkbox"/> Discussion    Time Requested:
<b>Agenda Item Name</b>	Temporary Utility Tax Increase for Solid Waste, Wastewater & Water
<b>Summary (Background)</b>  *use the Fiscal Impact box below for relevant financial information	In the Mayor's 2024 Proposed Budget, a temporary utility tax increase of 1% was included to bridge the funding gap in the General Fund. In order to implement this proposal, SMC 08.10.030 must be updated to read those providing solid waste collection services, operating a public wastewater collection and treatment system and selling or furnishing water for hire will be taxed at 21% of gross income. This ordinance includes a provision for automatically reverting back to the original tax rate on Jan 1, 2025.
<b>Proposed Council Action</b>	Approve the ordinance revision on Nov 27, 2023
<b>Fiscal Impact</b> Total Annual Cost: \$2.4M Approved in current year budget? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A  Funding Source <input type="checkbox"/> One-time <input type="checkbox"/> Recurring Specify funding source: Click or tap here to enter text.  Expense Occurrence <input type="checkbox"/> One-time <input type="checkbox"/> Recurring  Other budget impacts: (revenue generating, match requirements, etc.)	
<b>Operations Impacts (If N/A, please give a brief description as to why)</b>	
What impacts would the proposal have on historically excluded communities? n/a	
How will data be collected, analyzed, and reported concerning the effect of the program/policy by racial, ethnic, gender identity, national origin, income level, disability, sexual orientation, or other existing disparities? n/a	
How will data be collected regarding the effectiveness of this program, policy or product to ensure it is the right solution? n/a	
Describe how this proposal aligns with current City Policies, including the Comprehensive Plan, Sustainability Action Plan, Capital Improvement Program, Neighborhood Master Plans, Council Resolutions, and others? n/a	

ORDINANCE NO. C36468

AN ORDINANCE relating to the City of Spokane's Utility Tax; amending the Spokane Municipal Code (SMC) section 08.10.030(A)(3), (4) and (7) and setting an effective date.

WHEREAS, the City of Spokane Utility Tax rate for Water, Wastewater and Solid Waste services shall be temporarily increased in the amount of One (1%) percent for a total utility tax rate of twenty-one (21%) percent, beginning January 1, 2024, through December 31, 2024; and

WHEREAS, effective January 1, 2025, the temporary increase of One (1%) shall terminate without further action by the City Council; and

WHEREAS, effective January 1, 2025, the City's Utility Tax for Water, Sewer and Solid Waste services shall revert to a total utility tax rate of twenty (20%) percent;

NOW, THEREFORE,

The City of Spokane does ordain:

Section 1: That SMC section 08.10.030 is amended to read as follows:

**08.10.030 Business Activities Subject to Tax – Amounts – Effective 1/1/2024 to 12/31/24**

- A. There is levied upon and shall be collected from all persons engaging in the following utility business activities a utility gross receipts tax or license fee measured by multiplying the rate specified times the gross income as follows:
1. Selling, wheeling, or furnishing electric light or power: Six percent of gross income.
  2. Selling, brokering, or furnishing natural or manufactured gas for hire: Six percent of gross income.
  3. Providing solid waste collection service: ((Twenty)) Twenty-One percent of gross income.
  4. Operating a public wastewater collection and treatment system: ((Twenty)) Twenty-One percent of gross income.
  5. Providing telegraph service: Three and one-half percent of gross income.
  6. Engaging in the telephone business: Six percent.

- a. This percentage is taken of gross revenues derived from engaging in the telephone business in the City of Spokane, including one hundred percent of the total gross revenues derived from intrastate toll telephone services so long as the tax is not imposed on that portion of network telephone service, as defined in RCW 82.04.065, which represents charges to another telecommunications company, as defined in RCW 80.04.010, for connecting fees, switching charges or carrier access charges relating to intrastate toll telephone service, or for access to, or charges for interstate services, or charges for network telephone service that is purchased for the purpose of resale.
- b. With respect to any rate affecting cellular taxation, subject also to RCW 35.21.870, no change in the tax rate affects business activities occurring before the effective date of the change, and no change will take effect sooner than sixty days following enactment of any amendatory ordinance.
- c. In the case of cellular telephone service, when the service is provided to a customer roaming outside his normal use cellular network area, gross income for taxation purposes is determined consistent with the taxpayer's accounting system to the location of the originating cell site of the call, or to the location of the main cellular switching office that switched the call.
- d. In the case of cellular telephone service, payments by a customer for the telephone service for telephones without a fixed location shall be allocated among taxing jurisdictions to the location of the customer's principal service address for the period during which the tax applies. There is a presumption that the service address a customer supplies to the taxpayer is accurate and current, unless the taxpayer has knowledge or reason to know the contrary.
- e. If there is a dispute between the City of Spokane and another Washington city imposing a municipal telephone utility tax on cellular service of the same nature as imposed by this chapter, which dispute is limited only to the question of the correct allocation of municipal telephone taxes as between the City of Spokane and some other Washington city, the taxpayer may obtain exoneration from further tax liability, interest, and penalties due and owing to the City of Spokane with respect to the transactions under dispute by tendering the total amount of tax claimed due by the City of Spokane into an escrow account with the City treasurer or as established hereafter by appropriate interlocal agreements under the administrative sponsorship of the Association of Washington Cities. Under these arrangements, the taxpayer remains responsible to adjust its billing records promptly upon

notification under procedures sanctioned through the Association of Washington Cities of the resolution of any dispute encompassed within the terms of this paragraph.

7. Selling or furnishing water for hire: (~~Twenty~~) Twenty-One percent of gross income.
  8. Providing cable, telecommunications, or similar type service to the public, which involves the use of the right-of-way for the installation of wires, cables, fixtures, or other equipment, where not otherwise addressed in this section or prohibited by law: Six percent of gross income.
- B. Subsections (A)(3), (A)(4), and (A)(7) of this section include, so far as permitted by law, the City of Spokane, and the fee or tax imposed applies to the specified business of the entire City service area, except that subsection (A)(3) of this section does not apply to operations or functions undertaken by the City occurring outside the City of Spokane and undertaken by the City as manager of a joint project pursuant to interlocal cooperation agreement.
- C. The taxes imposed in subsections A (1), (2), (3), (5), (6), and (8) do not apply to amounts derived from utility business activities otherwise taxable arising from providing service to customers at locations operated or managed by an airport board pursuant to interlocal agreement arising under the authority of chapter 14.08 RCW, where such locations have been annexed to the City, said annexation taking effect on or after January 1, 2012; provided further, this exclusion does not apply to revenues derived from customers operating municipal solid waste disposal facilities or revenues otherwise taxable from municipal solid waste disposal facility operations.
- D. The increased taxes imposed in sections (A)(3), (A)(4), and (A)(7) of this section are temporary increases from January 1, 2024 through December 31, 2024, after which said increases in sections (A)(3), (A)(4), and (A)(7) of this section shall revert to a total tax of twenty (20%) percent, effective January 1, 2025.

Section 2: That effective January 1, 2025, SMC section 08.10.030 is amended to read as follows:

**08.10.030 Business Activities Subject to Tax – Amounts – Effective 1/1/2025**

A. There is levied upon and shall be collected from all persons engaging in the following utility business activities a utility gross receipts tax or license fee measured by multiplying the rate specified times the gross income as follows:

1. Selling, wheeling, or furnishing electric light or power: Six percent of gross income.

2. Selling, brokering, or furnishing natural or manufactured gas for hire: Six percent of gross income.
3. Providing solid waste collection service: (~~Twenty-One~~) Twenty percent of gross income.
4. Operating a public wastewater collection and treatment system: (~~Twenty-One~~) Twenty percent of gross income.
5. Providing telegraph service: Three and one-half percent of gross income.
6. Engaging in the telephone business: Six percent.
  - a. This percentage is taken of gross revenues derived from engaging in the telephone business in the City of Spokane, including one hundred percent of the total gross revenues derived from intrastate toll telephone services so long as the tax is not imposed on that portion of network telephone service, as defined in RCW 82.04.065, which represents charges to another telecommunications company, as defined in RCW 80.04.010, for connecting fees, switching charges or carrier access charges relating to intrastate toll telephone service, or for access to, or charges for interstate services, or charges for network telephone service that is purchased for the purpose of resale.
  - b. With respect to any rate affecting cellular taxation, subject also to RCW 35.21.870, no change in the tax rate affects business activities occurring before the effective date of the change, and no change will take effect sooner than sixty days following enactment of any amendatory ordinance.
  - c. In the case of cellular telephone service, when the service is provided to a customer roaming outside his normal use cellular network area, gross income for taxation purposes is determined consistent with the taxpayer's accounting system to the location of the originating cell site of the call, or to the location of the main cellular switching office that switched the call.
  - d. In the case of cellular telephone service, payments by a customer for the telephone service for telephones without a fixed location shall be allocated among taxing jurisdictions to the location of the customer's principal service address for the period during which the tax applies. There is a presumption that the service address a customer supplies to the taxpayer is accurate and current, unless the taxpayer has knowledge or reason to know the contrary.

e. If there is a dispute between the City of Spokane and another Washington city imposing a municipal telephone utility tax on cellular service of the same nature as imposed by this chapter, which dispute is limited only to the question of the correct allocation of municipal telephone taxes as between the City of Spokane and some other Washington city, the taxpayer may obtain exoneration from further tax liability, interest, and penalties due and owing to the City of Spokane with respect to the transactions under dispute by tendering the total amount of tax claimed due by the City of Spokane into an escrow account with the City treasurer or as established hereafter by appropriate interlocal agreements under the administrative sponsorship of the Association of Washington Cities. Under these arrangements, the taxpayer remains responsible to adjust its billing records promptly upon notification under procedures sanctioned through the Association of Washington Cities of the resolution of any dispute encompassed within the terms of this paragraph.

7. Selling or furnishing water for hire: (~~Twenty-One~~) Twenty percent of gross income.

8. Providing cable, telecommunications, or similar type service to the public, which involves the use of the right-of-way for the installation of wires, cables, fixtures, or other equipment, where not otherwise addressed in this section or prohibited by law: Six percent of gross income.

B. Subsections (A)(3), (A)(4), and (A)(7) of this section include, so far as permitted by law, the City of Spokane, and the fee or tax imposed applies to the specified business of the entire City service area, except that subsection (A)(3) of this section does not apply to operations or functions undertaken by the City occurring outside the City of Spokane and undertaken by the City as manager of a joint project pursuant to interlocal cooperation agreement.

C. The taxes imposed in subsections A (1), (2), (3), (5), (6), and (8) do not apply to amounts derived from utility business activities otherwise taxable arising from providing service to customers at locations operated or managed by an airport board pursuant to interlocal agreement arising under the authority of chapter 14.08 RCW, where such locations have been annexed to the City, said annexation taking effect on or after January 1, 2012; provided further, this exclusion does not apply to revenues derived from customers operating municipal solid waste disposal facilities or revenues otherwise taxable from municipal solid waste disposal facility operations.

### Section 3: Effective Date.

This Ordinance shall take effect and be in force on January 1, 2024.

ADOPTED BY THE CITY COUNCIL ON \_\_\_\_\_

(Delivered to the Mayor on the \_\_\_\_\_ day of \_\_\_\_\_ 2023.

\_\_\_\_\_  
Council President

Attest:

Approved as to form:

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

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Effective Date