ORDINANCE NO. 29092

AN ORDINANCE relating to local taxes; amending Subtitle 6A of the Municipal Code, relating to the Tax Code, by amending Sections 6A.40.040, 6A.40.050, 6A.50.030, 6A.90.030, 6A.100.010, and 6A.100.020, effective March 1, 2026; and by amending Section 6A.90.040, effective July 1, 2026; to update utility tax rates from 7.5 percent to 6 percent.

WHEREAS Proposition No. 3 was passed by City voters in November 2015, authorizing the City to levy an additional 1.5 percent utility tax on natural gas, electric (power), and telephone services for ten years, beginning March 1, 2016, except the natural gas use tax rate was effective July 1, 2016, to fund street repair, maintenance and safety improvements for residential streets, arterials and freight access, including resurfacing, pothole repair, pedestrian safety improvements, school crossing beacons, and sidewalk improvements, and

WHEREAS because the taxes were approved for 10 years, they are generally due to expire on February 28, 2026, except the natural gas use tax increase will expire June 30, 2026, and

WHEREAS the natural gas use tax rate increase expires later than the other local utility tax rate increases because the Washington State Department of Revenue collects that tax for the City and has a set schedule of when it will impose tax rate increases, which for these purposes, was July 1, 2016, and

WHEREAS amendments to the Tacoma Municipal Code, Subtitle 6A – Tax Code are required to decrease the following utility tax rates from 7.5 percent to 6 percent : (1) Cellular/Pager (Chapter 6A.40); (2) Telephone (Chapter 6A.40); (3) Private Electricity Business (Chapter 6A.50); (4) Natural Gas (Chapter 6A.90); and (5) Public Utility Power (Chapter 6A.100), and

WHEREAS these amendments will become effective March 1, 2026, except that the tax rate for the local natural gas use tax in Chapter 6A.90.040 will become effective July 1, 2026, and

WHEREAS on February 3, 2026, the Government Performance and Finance Committee voted to move this proposal forward to the full City Council; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That the City Council hereby adopts the Recitals of this Ordinance as its formal legislative findings.

Section 2. That Title 6 of the Municipal Code, relating to the Tax and License Code, is hereby amended by amending various chapters to update utility tax rates from 7.5 percent to 6 percent in Sections 6A.40.040, 6A.40.050, 6A.50.030, 6A.90.030, 6A.100.010, and 6A.100.020, effective March 1, 2026; and to update the local natural gas use tax rate from 7.5 percent to 6 percent in Section 6A.90.040, effective July 1, 2026, as set forth in the attached Exhibit "A."

Section 3. That the City Clerk, in consultation with the City Attorney, is authorized to make necessary corrections to this ordinance, including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers, and any references thereto.

Passed _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

EXHIBIT "A"

CHAPTER 6A.40
COMMUNICATIONS TAX

* * *

6A.40.040 Persons subject to tax.

A tax as specified herein is hereby levied upon and shall be collected from every person engaging in or carrying on the following business:

Cable service – A tax equal to 8 percent of the gross income from cable service provided to customers within the City.

Cellular telephone and/or pager services business – A tax equal to ~~7.5~~6 percent of the total gross income from cellular telephone or pager services business provided to customers whose place of primary use is within the City.

Competitive telephone service – Competitive telephone service, as hereinabove defined, shall be taxed as a retail sale under TMC 6A.30.

Telephone business – A tax equal to ~~7.5~~6 percent of the total gross income from telephone business provided to customers within the City.

6A.40.050 Tax rate.

Activity	Tax Rate
A. Cable service	8.0%
B. Cellular or pager	~~7.5%~~6%
C. Competitive telephone service	~~r~~Retail sale in 6A.30
D. Telephone business	~~7.5%~~6%

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CHAPTER 6A.50
ELECTRICITY BUSINESS AND SOLID WASTE COLLECTION BUSINESS

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6A.50.030 Persons subject to tax – Rate.

There is hereby levied upon and shall be collected from every person engaging in or carrying on the (1) electricity business, a tax equal to ~~7.5~~6 percent of the total gross income from such business conducted within the City, and on those persons engaged in or carrying on the (2) solid waste collection business, a tax equal to 8 percent of the total gross income from such business conducted within the City.

Activity	Tax Rate
Electricity Business	~~7.5%~~6%
Solid Waste Collection Business	8%

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CHAPTER 6A.90
NATURAL OR MANUFACTURED GAS TAX

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6A.90.030 Occupations subject to tax – Rate.

Pursuant to RCW 35.21.870, there is hereby levied upon and shall be collected from every person engaged in or carrying on the business of transmitting, distributing, brokering, or selling natural or manufactured gas including "activity incidental to the transmissions, distributions or sale of natural gas" a fee or occupation tax equal to ~~7.5~~6 percent of the total gross income from such business in the City.

Activity	Rate
Natural or Manufactured Gas	~~7.5%~~6%

6A.90.040 Natural or manufactured gas use tax.

A. Pursuant to RCW 82.14.230, there is fixed and imposed upon every person a use tax for the privilege of using natural gas or manufactured gas in the City as a consumer.

B. The tax shall be in an amount equal to the value of the article used by the taxpayer multiplied by a 7.5 percent~~%~~ tax rate through June 30, 2026. ~~which is equal to the rate specified in Section 6A.90.030 of this chapter.~~ Effective July 1, 2026, the tax rate in this subsection shall be 6 percent~~%~~.

C. The "value of the article used" shall have the meaning set forth in RCW 82.12.010(7)(a), and does not include any amounts that are paid for the hire or use of a natural gas business in transporting the gas subject to tax under this section if those amounts are subject to a tax which is imposed and paid under Section 6A.90.030 of this chapter.

D. The tax under this section shall not apply to the use of natural or manufactured gas if the person who sold the gas to the consumer has paid a tax imposed pursuant to Section 6A.90.030 of this chapter.

E. There shall be a credit against the tax levied under this section in an amount equal to any tax paid by:

1. The person who sold the gas to the consumer, when that tax is a gross receipts tax similar to that imposed pursuant to Section 6A.90.030 of this chapter; by another municipality or other unit of local government with respect to the gas for which

a credit is sought under the subsection; or

2. The person consuming the gas upon which a use tax similar to the tax imposed by this section was paid to another

municipality or other unit of local government with respect to the gas for which a credit is sought under this subsection.

F. The use tax hereby imposed shall be paid by the consumer. The administration and collection of the tax hereby imposed shall be pursuant to RCW 82.14.050.

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CHAPTER 6A.100
GROSS EARNINGS TAX – PUBLIC UTILITIES

* * *

6A.100.010 Power, Water, and Rail Divisions – Department of Public Utilities.

There is hereby imposed upon the Power, Water, and Rail Divisions of the Department of Public Utilities taxes upon the gross earnings of said divisions and each of them at the following rates of gross earnings, for the benefit of the General Fund of the City: upon the Power Division, ~~7.5~~6 percent, except for gross earnings derived from cable television activity for which the rate shall be 8 percent; and upon the Water and Rail Divisions, 8 percent; which taxes however shall be subordinate to any payments required to be made by any of said divisions from said gross earnings into any fund or funds heretofore or hereafter created for the payment of the principal of and interest on revenue bonds of the City heretofore or hereafter issued.

Department of Public Utilities Activity	Tax Rate
Power Division	~~7.5%~~6%
Cable Television	8%
Water and Rail Systems	8%

6A.100.020 Solid Waste Utility and Sewer Utility – Department of Environmental Services.

There is hereby imposed upon the Solid Waste Utility Division of the Department of Environmental Services, and upon the Sewer Utility of the Department of Public Works, for the benefit of the General Fund of the City, a tax upon the gross earnings of said utilities of 8 percent of said gross earnings, except that earnings from the activity involved in the sale of electricity or natural gas shall be taxed at the rate of ~~7.5~~6 percent. The tax shall, however, be subordinate to any payments required to be made by any of said divisions from said gross earnings into any fund or funds heretofore or hereafter created for the payment of the principal of and interest on revenue bonds of the City heretofore or hereafter issued. Said taxes are hereby found to be reasonable and not disproportionate to the amount of taxes which said divisions or subdepartments would pay if operated as private utilities.

Department of Environmental Services Activity Tax Rate

Solid Waste and Sewer Utility Divisions 8%

Sale of Electricity or Natural Gas ~~7.5%~~6%

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