



## THE CITY OF SEATTLE - REVENUE and CONSUMER AFFAIRS

### BUSINESS LICENSE TAX

#### **New Taxes:**

Effective July 1, 2007, two new taxes go into effect in the City of Seattle--Ordinance # 122191 relating to an employee hours tax and Ordinance #122192 relating to a parking tax. Both ordinances passed on August 7, 2006. The parking tax imposes a tax as authorized in RCW 82.80.030 for the act or privilege of parking a motor vehicle in a commercial parking lot within the City of Seattle. The parking tax is imposed on the vehicle driver and collected on behalf of the City by the commercial parking lot business. The employee hours tax, also known as the Business Transportation Tax, imposes a tax on businesses whose employees work in the City of Seattle, regardless of the location of the business.

#### **Employee Hour Tax:**

The employee hour tax shall be reported and paid on an annual calendar year basis, at the same time as the fourth quarter or annual tax return is due. The tax applies to employee hours worked inside the City regardless of whether the place of business is located within or outside the City. Persons discontinuing their business activities in Seattle shall report and pay the tax at the same time as their final business tax return is due.

The amount of the employee hours tax shall be equal to the employee hours worked within the City during the calendar year multiplied by the rate of \$0.01302. Please note that for the year ending 2007, the amount of the tax shall be equal to the employee hours worked within the City during the period July 1, 2007, through December 31, 2007, multiplied by the rate of \$0.01302. The employee hours worked excludes vacation and sick leave hours. If an employee works within and outside the City, it will be the responsibility of the business to calculate and report the number of hours worked within the City.

A business may choose to calculate its annual employee hours tax based on the number of full time equivalents (FTEs) as an alternative to the hours calculation method. Once the FTE alternative method is used, it must be used for all future reporting periods, unless a change is approved by the Director. Under the FTE method, the tax is computed by arriving at the number of FTE's and multiplying by \$25 (\$12.50 for 2007). The number of FTEs for 2007 is equal to the number of employees who worked at least nine hundred sixty (960) hours during the period July 1, 2007, through December 31, 2007, plus the sum of the hours worked by all other employees divided by 960 hours. For years after 2007, the tax is computed on the number full time employees for the calendar year, plus the sum of the hours worked by part-time employees in the calendar year divided by 1,920 hours. For example, if you have 20 FTE's your employee head tax for the year would be \$500.

There are a few deductions and exemptions available. There is also a \$50.00 credit for all businesses reporting and paying the employee hours tax. A couple of the major exemptions are for businesses with gross annual worldwide income of less than \$50,000, and all businesses that the City of Seattle is preempted from taxing pursuant to federal or state statutes or regulations. For a complete list of the exemptions and deductions, please refer to SMC 5.37.050, or you may access ordinance 122191 at <http://clerk.ci.seattle.wa.us/> and selecting Search City council bills and ordinances and enter ordinance number 122191. It should be noted that, businesses with more than one place of business must use the same method of calculation for all places of business.

#### **Parking Tax:**

The Parking tax shall be due and payable in quarterly installments. At the Director's discretion, businesses may be assigned to a monthly or annual reporting period depending on the amount of tax owing. The tax is imposed on every person for the act or privilege of parking a motor vehicle in a commercial parking lot within the City of Seattle.

For purposes of the parking tax, a "commercial parking lot" is a covered or uncovered area with stalls used for the purpose of parking motor vehicles for a fee.

The amount of the parking tax is the parking fee multiplied by the applicable rate. The effective rate for the period July 1, 2007 through June 30, 2008 is 5%. The effective rate for the period July 1, 2008 through June 30, 2009 is 7.5%. Thereafter, the effective rate will be 10%.

The measure of the tax will be the parking fee. It shall be presumed that the posted parking prices do not include the parking tax unless all of the following conditions are met: The fee is advertised as including the tax or the commercial parking business is paying the tax, the words "tax included" are stated immediately following the

advertised or posted prices in print size at least half as large as the advertised posted price, and all advertised or posted parking prices and the words "tax included" are stated in the same medium, whether oral or visual and if oral, is substantially the same inflection and volume.

If a parking fee is combined with other payments in a lease of nonresidential space, or otherwise not separately stated, the parking fee shall be determined by the Director according to rules promulgated by the Director to establish the parking fee based on the fair market value of the act or privilege of parking.

There are a few exemptions from the parking tax. The following are excluded from the tax base. Fees charged for: parking in a stall reserved exclusively for a person for a period of 30 days or longer, parking in a stall provided with that persons residence, parking at stadiums and exhibition centers which the City is precluded from taxing pursuant to state law, and parking on City of Seattle streets.

It is important to note that these taxes do not take effect until July 1, 2007. The first due date for returns for the employee head tax and the parking tax will be January 31, 2008, and October 31, 2007, respectively.

### **Price Scanning System fee:**

The annual price scanning system registration fee was established in 2003 by Ordinance #120976. Small stores with 3 or fewer scanning devices pay \$105 and large stores with 4 or more scanning devices pay \$205. Unannounced inspections are made on an annual basis. 179 of 221 (81%) small stores and 155 of 171 (91%) large stores were inspected. The national standard adopted by the National Conference on Weights and Measures are used to conduct the inspections. The City conducts inspections to verify pricing accuracy by selecting a randomized sample of 50 items in small stores and 100 items in large stores. In 2006, the City checked 26,195 items during 408 inspections and reinspections (at failed stores). Stores with more than 2% overcharges fail this inspection. In 2006, 14% of stores failed their inspection.

A price scanning system inspector is available to provide training on accurate pricing accuracy. Call Inspector Paul Everitt at (206) 386-1267 to schedule the training or to answer any questions.

**For more information, check the Consumer Affairs Unit web site at [www.seattle.gov/consumeraffairs/](http://www.seattle.gov/consumeraffairs/)**

### **Day Care Deduction:**

Effective January 1, 2007, nursery schools, preschools, all child care providers and privately operated kindergartens may deduct from the measure of the City of Seattle Business License tax amounts derived from the care or education of children who are under eight (8) years of age and not enrolled in or above the first grade, for periods less than twenty-four (24) hours. Such businesses are, however, subject to the tax upon the gross proceeds derived from providing child care to children who are eight (8) years of age or older or enrolled in the first grade or above.

### **Need a Speaker?**

Are you a member of a professional or trade group with questions regarding the Seattle business taxes? Revenue and Consumer Affairs has speakers available to address your organization. Please contact us at (206) 684-8484 and request to speak with someone from the Audit group.

### **Revenue and Consumer Affairs Website**

Visit our website at <http://www.cityofseattle.net/rca/> for a business license application or renewal instructions, a Multiple Activities Tax Credit (MATC) Worksheet, a Research and Development (R&D) Credit Worksheet and other useful information in reference to licensing and business taxes in Seattle. You are now able to fill out a form online to request that a Seattle tax form be sent to you. The request form generates an automatic email to our offices.

## **HAVE QUESTIONS? -- CALL EARLY!**

The department receives hundreds of information calls the last week prior to the due date of the quarterly tax returns. To insure we are able to adequately answer your questions, please do not wait until the last few days. If you leave a message, please give us your customer number, name, phone number, and the best time to reach you. YOUR CALL WILL BE RETURNED.

Information line (206) 684-8484 or fax (206) 684-5170  
Email – [rca.bizlict@ci.seattle.wa.us](mailto:rca.bizlict@ci.seattle.wa.us)