

## Seattle Rule 5-127

Sales to, and by, the State of Washington, counties, cities, school districts and other municipal subdivisions.

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(1) Business license tax on sales to governmental entities. In computing the business license tax, no deduction is allowed to a seller with respect to sales to the Federal Government, its departments and institutions, to the State of Washington, its departments and institutions, or to counties, cities, or other municipal corporations of the State.

(2) Enterprise activity defined. An "enterprise activity," for the purposes of this rule, is a government activity financed and operated in a manner similar to private business enterprises. The term includes activities which are generally in competition with private business enterprises and are over fifty percent funded by user fees, such as utility payments, park or recreation rentals and fees. The term "enterprise activity" does not include activities which are exclusively governmental.

(3) Business license tax on sales by governmental entities. The City of Seattle may not impose the business license tax on sales made by the federal government and its subdivision, or on sales made by the State of Washington and its subdivisions, including other municipalities. However, all City of Seattle departments, divisions, and its other municipal subdivisions engaging in business through enterprise activities are subject to tax (SMC 5.45.110) as follows:

(a) Service and other business activities. Amounts derived from enterprise activities consisting of or from admission fees to special events, user fees (lockers, checkrooms), moorage fees (less than thirty days), and the granting of a license to use real property are reportable under the service and other business activities classification of the business license tax and taxable upon the gross income derived from services rendered by them to others.

(b) Retailing. Amounts derived from enterprise activities consisting of or from fees for participation in amusement, recreation or physical fitness activities (pay for play), user fees for off-street parking and garages, and charges for the sale and rental of tangible personal property are reportable under the retailing classification of the business license tax and taxable upon the gross proceeds of sales.

The retailing tax also applies to charges for the sale of books, rules, regulations, and other materials sold from an inventory of such things, even though the charge is required by law or covers only the costs of production and distribution.

The retailing tax does not apply to charges for the production, searching, or copying of public records or documents by such public agencies charged with the responsibility to keep and provide such information.

(c) Extracting or manufacturing. Extracting or manufacturing activities, if conducted as an enterprise activities are taxable upon the value of products manufactured or extracted.

(4) Exemptions and exclusions.

(a) Amounts derived from fees or charges for activities that represent traditional government services as opposed to the "enterprise activities" as defined above are tax exempt. Such tax exempt amounts include fees for on-street metered parking and parking permits, instruction fees, license fees, health program fees, athletic team registration fees, and interagency and intergovernmental charges for services rendered.

(b) The business license tax does not apply to the value of materials printed solely for their own use by city departments, divisions, employee associations, other municipal subdivisions, or libraries.

(5) Contracts with the City of Seattle and organizations charter by the City. All persons entering into contracts with the City of Seattle are required to obtain and maintain a current Business License Tax Certificate and remit business license tax before accepting any warrant as payment for performing any contract for the City of Seattle (see SMC 5.45.060 (D). Business license tax is due on all contracts with the City of Seattle, subject to the annual threshold prescribed in SMC 5.55.040 (D). It is presumed that all contracts with the City of Seattle are executed within the City. Tax is due whether or not the business activity, services rendered, or construction work takes place within or outside the City. This section applies to the City and organizations chartered by the City. This subsection shall not apply to individuals whose aggregate value of all contracts with the City during a calendar year is \$5,000 or less and does not otherwise engage in business within the city; or whose only source of revenue consists of contract with the City of Seattle for neighborhood planning purposes, sister city associations, or Arts Commission grants.

DIRECTOR'S CERTIFICATION

I, Glen M. Lee, Finance Director of the City of Seattle, do hereby certify

under penalty of perjury of law, that the within and foregoing is a true and correct copy as adopted by the City of Seattle, Department of Finance and Administrative Services.

DATED this \_\_\_\_ day of July 2016.

CITY OF SEATTLE,

a Washington municipality

By: \_\_\_\_\_

Glen M. Lee, Finance Director

Department of Finance and Administrative Services

Effective date: July 14, 2016

Jul 14, 2016