

**THE CITY OF SEATTLE**  
**DIRECTOR'S RULE**  
**IMPLEMENTING SEATTLE BUSINESS TAX ORDINANCE**  
**RULE 5-702**

FILED  
CITY OF SEATTLE  
05 JUL 15 PM 2:50  
CITY CLERK

**Seattle Rule 5-702**     **Coin operated vending machines, amusement devices and service machines.**

**(1) Definitions.** As used herein:

- (a) The term "coin operated vending machines" means machines which, through the insertion of a coin will return to the patron a predetermined specific article of merchandise or provide facilities for installing, repairing, cleaning, altering, imprinting, or improving tangible personal property of or for consumers. It includes machines which vend photographs, toilet articles, cigarettes, and confections as well as machines which provide laundry and cleaning services. Effective July 1, 2002, public pay telephones are considered to be coin operated vending machines (See subsection (2)(a)(iii) below).
- (b) The term "coin operated amusement devices" means any machine or device which, through the insertion of a coin, provides recreation or entertainment. It includes, but is not limited to, pool and billiard tables, shuffleboards, music machines, video games, pinball games, riding devices, panoram and peepshow devices, televisions and devices for display of pictures or views on film, and those machines or devices which permit the patron to see, hear or read something of interest.
- (c) The term "coin operated service machines" means any coin-operated machines other than those defined as "coin operated vending machines" or "coin operated amusement devices." It includes, for example, scales and luggage lockers.

**(2) Business license tax.**

- (a) Retailing Classification.
  - (i) Persons operating coin operated vending machines are engaged in a retailing business and must report and pay tax under the retailing classification with respect to the gross proceeds of sales.
  - (ii) Persons engaged in operating shuffleboards or games of pool or billiards are taxable under the retailing classification on the gross receipts therefrom.
  - (iii) Effective July 1, 2002, persons engaged in operating pay telephones which are activated by inserting coins, calling collect, using a calling card or credit card, or dialing a toll-free number, and the provider of the service owns or leases the telephone equipment but does not own the telephone line providing the service to that equipment and has not affiliation with the owner of the telephone line shall report under those amounts under the retailing classification (RCW 35.21.710).
- (b) Service and Other Business Activities Classification.
  - (i) Persons operating coin operated amusement devices, except shuffleboard, pool, and billiard games, are taxable under the service and other business activities classification on the gross receipts therefrom.
  - (ii) Persons operating coin operated service machines are taxable under the service and other classification upon the gross receipts therefrom.

**(3) License to use real property.** When any coin operated machine is placed at a location owned or operated by a person other than the owner of the machines, under any arrangement for

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compensation to the operator of the location, the person operating the location has granted a license to use real property to the owner of the machine, and will be responsible for reporting and paying tax upon his or her gross receipts therefrom under the service and other business activities classification.

- (4) **Amusement devices.** Where the owner of amusement devices, which are placed at the location of another, has failed to pay the gross receipts tax, the Director may proceed directly against the operator of the location for full payment of all tax due.
- (5) **Sales of equipment.** Sales of coin operated vending machines, coin operated service machines, and coin operated amusement devices to persons who will operate the same are sales at retail and reportable under the retailing classification.
- (6) **Apportionment -- Inside the City and Outside the City.** Persons located within the City and taxable under either the retailing or service and other classification, as detailed above, must report the revenue received from all of their machines and devices located within the State of Washington, except as provided below. Persons located outside the City and taxable under either the retailing or service and other classification must report the revenue received from machines and devices located within the City of Seattle. If the person has an office or place of business both inside the City and outside the City, then the revenue earned on machines outside the City should be apportioned to that office which supports those machines.
  - (a) A deduction may be taken in the following situation: A machine or device is located in a city which levies a gross receipt tax similar to the City of Seattle, and the person pays the tax on the revenue generated to the other city.
  - (b) For purposes of apportionment, a coin operated machine or coin operated amusement device is not considered an office or place of business.

Effective: July 15, 2005

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**DIRECTOR'S CERTIFICATION**

I Kenneth J. Nakatsu, Director of the Department of Executive Administration 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 Executive Administration.

DATED this 15<sup>th</sup> day of July, 2005.

CITY OF SEATTLE,  
a Washington municipality

By:

  
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Kenneth J. Nakatsu, Director  
Department of Executive Administration



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STATE OF WASHINGTON - KING COUNTY

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183390  
CITY OF SEATTLE:Revenue &

No.

**Affidavit of Publication**

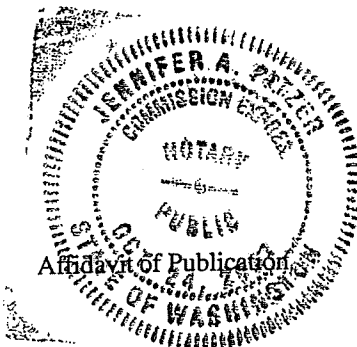
The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:RULE MAKING HEARING

was published on

3/21/2005



*M. D. J.*

Subscribed and sworn to before me on

3/21/2005

*Jennifer A. Zetzer*

Notary public for the State of Washington,  
residing in Seattle

State of Washington, King County  
City of Seattle

NOTICE OF PROPOSED RULE  
MAKING HEARING AND  
OPPORTUNITY TO COMMENT

The Director of Finance, acting under the authority of Seattle Municipal Code Chapters 5.02 and 5.55, proposes to adopt new rules for implementing the Seattle Business and Occupation Tax Ordinance (Seattle Municipal Code, Chapter 5.45). Please note that although these rules are applicable to SMC 5.45, the individual rules may also apply to other chapters of the City's Tax Code, including, but not limited to, SMC 5.30 (Definitions), SMC 5.32 (Revenue Code), SMC 5.40 (Admissions Tax), SMC 5.48 (Business Tax -- Utilities) and SMC 5.62 (Gambling Tax). The following rules are proposed for adoption and will become effective as of April 30, 2005:

Seattle Rule 5-006 -- Tax Returns -- Filing and Payment

Seattle Rule 5-007 -- Penalties

Seattle Rule 5-031 -- Measure of Tax -- Retailers and Wholesalers

Seattle Rule 5-032 -- Measure of Tax -- Service and other business activities

Seattle Rule 5-035 -- Freight and Delivery Charges

Seattle Rule 5-040 -- Corporations, Massachusetts trusts

Seattle Rule 5-043 -- Engaging in Business

Seattle Rule 5-063 -- Returned goods, allowances, cash discounts

Seattle Rule 5-100 -- Extracting natural products

Seattle Rule 5-112 -- Commercial or industrial use

Seattle Rule 5-127 -- Sales to and by the State of Washington, counties, cities, school districts, and municipal subdivisions

Seattle Rule 5-130 -- Selling price -- Advertised prices including sales tax

Seattle Rule 5-131 -- Trade-ins, selling price, sellers' tax measures

Seattle Rule 5-132 -- Leased departments

Seattle Rule 5-133 -- Warranties and maintenance agreements

Seattle Rule 5-702 -- Coin operated vending machines, amusement devices and service machines

Seattle Rule 5-404 -- Sales of meals

Seattle Rule 5-405 -- Restaurants, cocktail bars, taverns and similar businesses

Seattle Rule 5-481 -- Motor carriers -- Trucking

Seattle Rule 5-523 -- Sales of precious metal bullion and monetized bullion

Seattle Rule 5-530 -- Sale or rental of real estate, license to use real estate

Seattle Rule 5-531 -- Sales of real property, standing timber, minerals, natural resources

Seattle Rule 5-532 -- Real estate brokers and salesman

Seattle Rule 5-600 -- Educational institutions, school districts, student organizations, and private schools

Seattle Rule 5-700 -- Amusement, Recreation, and Physical Fitness Services

Seattle Rule 5-720 -- Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc.

Seattle Rule 5-803 -- Consignees, bailees, factors, agents, and auctioneers

Seattle Rule 5-806 -- Advertising agencies

Seattle Rule 5-807 -- Outdoor advertising and advertising display services

**PUBLIC HEARING AND COMMENT:**  
The Department of Executive Administration has scheduled a public hearing on the proposed rule changes for 1:00 p.m. to 3:00 p.m., on Monday, April 4, 2005. The hearing will be held in a conference room on the 40th floor of the Seattle Municipal Tower, Suite 4096, located at 700 5th Avenue. All interested persons are invited to present data, views, or arguments, with regard to the proposed rules, orally at the hearing, or in writing at or before the hearing.

Written comments should be mailed or delivered to:

Department of Executive Administration, Attn.: Mel McDonald, Director, Revenue and Consumer Affairs, 700 5th Avenue - Suite 4250, Seattle, Washington 98104-5020.

The public may inspect copies of the proposed rules at the Revenue and Consumer Affairs offices, 700 5th Avenue, Suite 4200. If you would like a copy of the proposed rules, please call (206) 684-8300, FAX (206) 684-5170, email rca.bizlctr@ci.seattle.wa.us, or submit a written request to the address above.

Dated: March 21, 2005.

DWIGHT D. DIVELY,

Director, Department of Finance.

Date of publication in the Seattle Daily Journal of Commerce, March 21, 2005.

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