



Seattle Tax Advisory Group

September Meeting Minutes:

Date: September 8, 2015 **Location:** Seattle Municipal Tower (700 Fifth Avenue) 40th Floor, Conference Room 4096

Attending Members:

Jamie Carnell, FileLocal

Rachel Le Mieux, Partner, Peterson Sullivan LLP

Glen Lee, City Finance Director

Joseph Cunha, Tax Administrator, City of Seattle

Mark Watterson, Tax Audit Manager

Update – FileLocal Project

Jamie Carnell gave an update on the status of the FileLocal project. Results from the limited rollout came back successful —returns were filed and accepted, tax was calculated, payments were accepted and processed, and data properly reflected in City tax data bases. Surveys were available, but none have been received to date. Currently, FileLocal is gearing up to have Tacoma included and available for filing in the third quarter 2015. Tacoma will be notifying their customers via inserts in their returns. In addition, more taxpayers will be invited to participate in filing their taxes via FileLocal for third quarter 2015. Bellevue and Everett will likely not be available on FileLocal until December. Converting customers in the FileLocal system to the 16-digit UBI number has been a challenge. Although some customers are aware of the 16-digit UBI number, many are not. City plans on developing a data connection that with state agencies (Secretary of State, Department of Revenue) to streamline the process for customers to determine what their 16 digit UBI is as part of the FileLocal product roadmap.

Voluntary Disclosure Update for City of Seattle Website Update & Feedback

Mark provided an update to the Voluntary Disclosure Program. The City of Seattle's Voluntary Disclosure Program information is now available on the City's website (seattle.gov/business-license-tax) under the 'Special Tax Situations' header. Customers will be able to review requirements to qualify for voluntary disclosure treatment and its benefits. Customers also have a form available to them to use to assist in providing the information necessary to complete the disclosure. City will also address notifying businesses/preparers that now available through other tax industry e-mailings.

Combined Voluntary Disclosure Update

Mark gave an update on the efforts to create a combined voluntary disclosure process allowing customers a simpler method of voluntarily disclosing among the different cities where they might have nexus. The City of Seattle brought this topic up with the prior City tax manager roundtable with other Cities expressing interest in such a program. The Cities will work together to create a process, determining who will be the point of contact, how VDP applicant information should be

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shared, processed, and finalized. City will continue to provide progress updates.

Wedbush Decision

General overview of the Wedbush decision regarding term 'customer location.' Washington State Court of Appeals ruled in City's favor that customer location, the first prong of sourcing revenue in the income-factor numerator, is physical (face-to-face) contact and not simply customer's address. City will work to communicate guidelines on what records taxpayers generally are expected to provide to substantiate customer location. Rachel Le Mieux noted the challenge for many taxpayers surrounding what is acceptable documentation in the course of an audit to support the customer location (physical contacts) or work location. City will be working on creating educational guidelines to help taxpayers know what they are expected to provide to support when sourcing service receipts in the two-factor calculation.

Next Steps

- a. City will continue to develop a multi-city voluntary disclosure program and update the TAG on the progress.
- b. The City will work on getting information out to businesses about the Seattle Voluntary Disclosure Program (likely via tax newsletters and practitioner list-serves).
- c. City will work on putting together educational guidelines on acceptable documentation to support customer location.