

**THE CITY OF SEATTLE**  
**DIRECTOR'S RULE**  
**IMPLEMENTING SEATTLE BUSINESS TAX ORDINANCE**  
**RULE 5-033**

FILED  
CITY OF SEATTLE  
MAY 15 PM 3:18  
CITY CLERK

**Seattle Rule 5-033**      **When tax liability arises.**

- (1) **Method of reporting.** Gross proceeds of sales and gross income shall be included in the return for the period in which the value proceeds or accrues to the taxpayer. For the purpose of determining tax liability of persons making sales of tangible personal property or providing services, a sale takes place when activity is entered into the taxpayer's business records (invoiced or billed) and the buyer has received the goods or services. With respect to leases or rentals of tangible personal property, tax liability arises as of the time the lease or rental payments fall due (see Seattle Rule 5-536). See also Seattle Rule 5-126 regarding conditional and installment sales.
  
- (2) **Accrual basis.**
  - (a) Amounts actually received do not constitute value accruing to the taxpayer in the period in which received if the value accrues to the taxpayer during another period. It is immaterial if the act or service for which the consideration accrues is performed or rendered, in whole or in part, during a period other than the tax return period. The controlling factor is the time when the taxpayer is entitled to receive, or takes credit for, the consideration.
  
  - (b) When tax returns are prepared upon the accrual basis, value accrues to a taxpayer at the time:
    - (i) The taxpayer becomes legally entitled to receive the consideration; or,
  
    - (ii) In accordance with the system of accounting regularly employed, enters as a charge against the purchaser, customer, or client the amount of the consideration agreed upon, whether payable immediately or at a definitely determined future time.
  
- (3) **Cash receipts basis.**
  - (a) See Seattle Rule 5-037 for limitation as to persons who may report on the cash receipts basis.
  
  - (b) When tax returns are prepared upon a cash receipts basis, value proceeds to a taxpayer at the time the taxpayer actually or constructively receives the payment. It is immaterial that the contract is performed, in whole or in part, during a period other than the one in which payment is received.
  
- (4) **Special application, contractors.** Value accrues for a building or construction contractor who maintains his or her accounting records on the accrual basis, as of the time the contractor becomes entitled to compensation under the contract.
  - (a) If the contract provides that the taxpayer becomes entitled to compensation upon estimates as the work progresses, value, to the extent of such estimates, accrues as of the time that each estimate is made and the balance at the time of the completion of the work or of the final billing.
  
  - (b) If the contract provides that the taxpayer becomes entitled to compensation only upon the completion of the work, value accrues as of the earlier of the completion of the work, or,



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any use of the facilities being constructed, or, 60 days after the facility is substantially complete.

- (i) Example: A contractor agrees to build two buildings for a buyer. Under the terms of the contract, payment is to be made only upon completion of both buildings. One building is substantially completed and occupied on April 15, 2005; the other building is substantially completed on May 15, 2005 and occupied on July 1, 2005. The work on both buildings is completed under the contract on June 15, 2005. Value accrues for the first building on April 15, 2005, the date it was used. Value accrues for the remainder of the contract on June 15, 2005, the date the work was completed.
- (ii) Example: A contractor agrees to build a building for a buyer. Under the terms of the contract, the buyer is to make payment for the building only upon completion of the building. The building is completed, except for minor alterations, and available for planned occupancy on August 15, 2005. However, because of a contract dispute between the buyer and his tenant for the building, the buyer is unable to pay the contractor until February 25, 2006 when the building is finally occupied. The building is completed under the contract on November 15, 2005. Value accrues on the building for business license tax purposes on October 14, 2005, 60 days after August 15, 2005, the date the building was substantially complete.

**(5) Warehousemen.** In the case of warehousemen, value proceeds or accrues to the taxpayer as follows:

- (a) When the taxpayer is reporting upon the accrual basis, value accrues at the time the charge for storage is entered into the taxpayer's books of account in accordance with the terms of the contract between the parties and the regular system of accounting employed by the taxpayer. Value accrues when the charge is entered into the taxpayer's books of account whether the consideration for storage is at a fixed rate per unit per month or other period, or, at a flat charge regardless of the length of time, or, whether payable periodically or at the time of withdrawal.

For example, a warehouseman keeping his books on an accrual basis customarily charges the owner of the goods the full amount of a flat storage charge at the time the goods are received. Even though the payment is deferred until the goods are withdrawn value accrues as of the time the goods are received. However, if the warehouseman customarily does not enter such charge until the time of withdrawal, value accrues at the time of withdrawal.

- (b) When the taxpayer is reporting upon a cash receipts basis, value proceeds at the time the payment for storage is received.

Effective: May 15, 2007.



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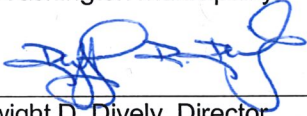
DIRECTOR'S CERTIFICATION

I Dwight D. Dively, Director of the Department of Finance 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.

DATED this 14~~th~~ day of May, 2007.

CITY OF SEATTLE,  
a Washington municipality

By:

  
\_\_\_\_\_  
Dwight D. Dively, Director  
Department of Finance



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STATE OF WASHINGTON – KING COUNTY

--SS.

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209880  
CITY OF SEATTLE:REVENUE &

No. MAKING HEARING

**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.

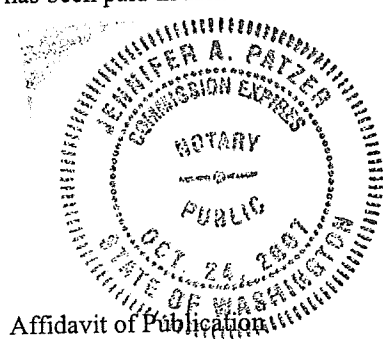
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

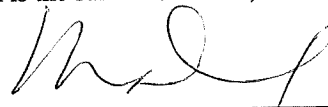
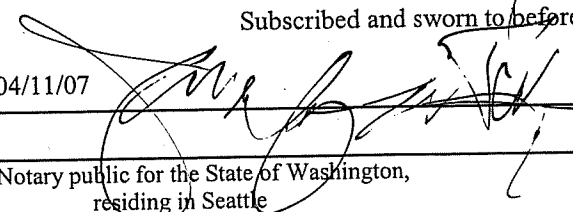
CT:NOTICE PROPOSED RULE

was published on

04/11/07

The amount of the fee charged for the foregoing publication is the sum of \$ 139.50, which amount has been paid in full.



  
\_\_\_\_\_  
Subscribed and sworn to before me on  
04/11/07   
\_\_\_\_\_  
Notary public for the State of Washington,  
residing in Seattle





## 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 3.02 and 5.55, proposes to adopt new rules for implementing the Seattle Business License 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 5.35 (Commercial Parking Tax), SMC 5.37 (Employee Hours Tax), SMC 5.40 (Admissions Tax), SMC 5.48 (Business Tax - Utilities), SMC 5.52 (Gambling Tax), and SMC 5.55 (General Administrative Provisions). The following rules are proposed for adoption and will become effective as of May 15, 2007:

Seattle Rule 5-000 Rules adopted.

Seattle Rule 5-002 Business license requirements.

Seattle Rule 5-007 Penalties.

Seattle Rule 5-008 Recordkeeping requirements.

Seattle Rule 5-009 Limitations on tax assessments.

Seattle Rule 5-033 When tax liability arises.

Seattle Rule 5-034 Finance charges, carrying charges, interest, and penalties.

Seattle Rule 5-037 Accounting methods.

Seattle Rule 5-039 Employees distinguished from persons engaging in business.

Seattle Rule 5-042 Successor liability.

Seattle Rule 5-044 Value of products.

Seattle Rule 5-064 Credit losses, bad debts, recoveries.

Seattle Rule 5-065 Taxes, deductible and nondeductible.

Seattle Rule 5-067 Accommodation sales.

Seattle Rule 5-068 Pool purchases.

Seattle Rule 5-125 Casual or isolated sales.

Seattle Rule 5-275 Installing, cleaning, repairing or otherwise altering or improving personal property of consumers.

Seattle Rule 5-276 Constructing and repairing of new or existing buildings or other structures upon real property.

Seattle Rule 5-500 Computer software.

Seattle Rule 5-501 Computer hardware.

Seattle Rule 5-502 Taxation of information services and computer related services.

Seattle Rule 5-804 Staffing businesses, staffing services.

Seattle Rule 5-921 Exemptions, deductions and credits available under the employee hours tax.

**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 30, 2007. The hearing will be held in a conference room on the 40th floor of the Seattle Municipal Tower, Suite 4096, located at 700 Fifth 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,  
Deputy Director Revenue and Consumer  
Affairs 700 Fifth Avenue - Suite 4250  
P.O. Box 34214 Seattle, Washington  
98124-4214

The public may inspect copies of the proposed rules at the Revenue and Consumer Affairs offices, 700 Fifth Avenue, Suite 4250. If you would like a copy of the proposed rules, please call (206) 233-0071, FAX (206) 684-5170, email: rca.bizlctx@seattle.gov, or submit a written request to the address above.

Dwight D. Dively, Director,  
Department of Finance

Date of publication in the Seattle Daily  
Journal of Commerce, April 11, 2007.

