



## Seattle Tax Advisory Group

### December Meeting Minutes:

**Date:** December 06, 2016      **Location:** Seattle Municipal Tower (700 Fifth Avenue) 40th Floor, Conference Room 4090

### Attending Members:

Damian Hunt, Senior Tax Manager,  
Amazon

Kevin Fitzpatrick, FileLocal Program Manager

Joseph Cunha, Tax Administrator, City of  
Seattle

Leann Weber, State and Local Tax Director,  
Russell Investments

Mark Watterson, Tax Audit Manager

Rachel Le Mieux, Partner, Peterson Sullivan  
LLP

Tom Pucci, Senior Director of Tax, Expedia

**FileLocal Update.** FileLocal continues to see usage increase quarter to quarter. This is the case both in total accounts created total forms filed. This shows users are not just registering but also filing through FileLocal.

**New Business License Tax Certificate Fee Structure.** General reminder about the City's new business license tax certificate fee structure beginning with 2017 (Ord. # 125083). The new fee structure for 2017 is determined by the taxable income of the business and there are four tiers in the fee structure. In 2018 there will be five tiers. The City had sent out mailers to businesses notifying and informing them of the coming changes.

In addition Ordinance # 125084 was enacted. Beginning in 2017 it would increase the City's B&O rates across the board. Rates will increase again in 2018. Rates that were previously 0.0215 in 2016 will be 0.00219 in 2017 and 0.00222 in 2018. This would include classifications such as Manufacturing, Processors for Hire, Wholesaling, Retailing and Retail Sales, and Tour Operators. Rates that were 0.00415 in 2016 will be 0.00423 in 2017 and 0.00427 in 2018. Such rates would include classifications of Service and Other Business Activities, and Transporting Freight for Hire.

**Customer "contact" general overview.** A general overview of customer contact was discussed. The position that the City has consistently taken is that in order to have a contact, it must be physical. This was an issue in the Classmates and Wedbush cases and was affirmed that physical contact is needed to be a contact (i.e. phone, email, etc do not count as contacts).

**Related Parties Overview.** Activities between related parties and the application of the City's business license tax to such activities was discussed in general. Anytime there is activities between related parties the City will look at those activities and scrutinized charges that do not appear to reflect market value.

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The City has had a court case and a hearing with the hearing examiner in regards to these issues and are available for reference in addition to the City's own rule on valuing the measure of tax for activities between affiliated businesses.

**Update on Service Apportionment Income Factor Discussion.** The volunteer cities in the Apportionment Work Group continue to meet and develop guidance on the service apportionment and on clarifying types of records that would generally be sufficient to substantiate contacts. City hopes to have a draft for review around April/May.

### Next Steps

- a. City will continue working toward a draft of the service guidelines.
- b. Meeting times for 2017 to be announced in end December/January.