



## Seattle Tax Advisory Group

### December Meeting Minutes:

**Date:** Sept 5, 2017

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

### Attending Members:

Joseph Cunha, Tax Administrator, City of Seattle

Damian Hunt, Senior Tax Manager, Amazon

Glen Lee, Finance Director, City of Seattle

MaryAnne Olmstead, Director of Finance and Accounting

Mark Watterson, Tax Audit Manager, City of Seattle

Rachel Le Mieux, Partner, Peterson Sullivan LLP

Rani Singh, Tax Manager, Starbucks

Tom Pucci, Senior Director of Tax, Expedia

**Apportionment – Cost of Performance.** General discussion on cost of performance and what's included in determining where service receipts are sourced. Responses from City representatives were that in determining cost of performance, direct costs are used when looking at the sourcing receipts where there are no contacts or taxpayer is not taxable at customer location. Generally, direct costs may include such items as employee costs (wages, time), supplies, travel expenses, etc. Also, when looking at costs of performance if a business has different revenue streams, then the business will need to look at those direct costs of each revenue stream. TAG members suggested additional guidance in the Service Apportionment Guidelines, and City representatives will look at expanding on the cost of performance topic in the guidelines.

**Sugar Sweetened Beverages Ordinance.** The Sweetened Beverage tax will take effect January 1, 2017. Currently, the draft rule is being completed and a draft should be available in a few days. A public hearing is planned for September 26<sup>th</sup>, 2017.

**HB 2005.** The task force established to look at recommending changes to the two-factor apportionment under HB 2005 has had its first meeting. The task force is currently finalizing the charter and set to begin discussing apportionment and sourcing methods in use in other states and jurisdictions. These meetings will be held about once a month. Representatives from City of Seattle, City of Lake Forest Park, and City of Tacoma represent the AWC, and representatives from Lane Powell, Peterson Sullivan, and Expedia represent the AWB.

**Income Tax Update.** The income tax ordinance has been passed. Since that time, three lawsuits challenging the tax have been filed. The lawsuits have been consolidated and summary judgement is planned for November 17, 2017.

**File Local Updates.** File local is undergoing more testing and is getting much closer to making all taxes available to file over the platform. In addition, FileLocal is trying to work on steps that will make transitioning easier from Seattle's online filing system. TAG members asked if FileLocal will have ACH debit or ACH Credit. TAG members emphasized that ACH Credit is far easier for most businesses to file

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since they can control when they submit their payment which is important given the cash management systems different companies utilize in the course regular business (e.g. sweep accounts).

**Upcoming Rules or Rules Updates.** Currently the only rule planned is the sweetened beverage rule (noted above). City representatives also advised members that Seattle has a new “Directors Rules” webpage centralizing Seattle’s rules with a section for “Draft Rules.” The website is:

<https://www.seattle.gov/finance-and-administrative-services/directors-rules>

**Voluntary Disclosures since publication of information on MRSC.** Certain TAG members were interested to know if there has been any increase in voluntary disclosures since posting information about those cities in Washington that offer a voluntary disclosure program for unregistered businesses. City representatives provided there has certainly been an increase with Seattle, although it can’t point to the MRSC specifically as the motivating factor. But, Seattle believes it has helped. Other cities have noted a small up-tick in voluntary disclosures and even if some have not they support having their VDA program on the MRSC site.

### Next Steps

- a. City is still looking for feedback on the Draft Apportionment Guidelines that were put out to TAG members at the end of July.
- b. The City will try to incorporate more guidance in the guidelines in regards to cost apportionment.