

## Seattle Rule 5-925

### Parking tax computations

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##### (1) Introduction.

Effective July 1, 2007, there is imposed on every person a tax for the act or privilege of parking a motor vehicle in a commercial parking lot within the city of Seattle. The tax is levied upon the person owning or operating the motor vehicle and shall be collected by the owner or operator of a commercial parking business on behalf of the City. Such taxes are held in trust, and shall be remitted to the City accompanied by tax forms obtained from the Director. The majority of commercial parking businesses will remit the collected taxes on a monthly basis.

##### (2) Definitions.

(a) The term "commercial parking business" means the ownership, lease, operation, or management of a commercial parking lot in which fees are charged for the act or privilege of parking motor vehicles. For purposes of this rule, the term "commercial" does not mean that the lot is merely open to the public. It includes all lots where a fee is charged for the privilege of parking motor vehicles.

(b) The term "commercial parking lot" means a covered or uncovered area with stalls used for the purpose of parking motor vehicles for a fee. This includes leased, subleased, or employer owned lots, where a fee is charged to the employees.

##### (3) Measuring and computing the Parking Tax.

(a) The amount of the parking tax shall be equal to the parking fee multiplied by the parking tax rate. For the period of July 1, 2007 through June 30, 2008 the parking tax rate will be five percent (5%). For the period of July 1, 2008 through June 30, 2009 the parking tax rate will be seven and one half percent (7.5%). Effective July 1, 2009, and thereafter, the parking tax rate will be ten percent (10%).

(b) The measure of the parking tax is the parking fee paid or due, and does not include any retail sales tax that might be due on the parking fee. It also does not include other services such as car wash services, charge for access cards, fines or penalties for illegal parking, or late fees on a person's parking account.

(c) Any person purchasing parking slots for resale is deemed to be a commercial parking business. Any person who sells parking purchased for resale where the purchaser provides the seller with a resale certificate, will not be subject to the parking tax. The parking tax is imposed on the end user actually using the parking

slot, and the commercial parking business that sells the use of the parking slot to the end user shall have the duty to collect the tax from the end user and remit it to the Director in the same manner that the retail sales tax would be collected and remitted.

(d) The parking fee and tax must be reported in the period in which the parking takes place. For example, a prepayment of January's parking fee made in December must be reported as tax collected in January.

(e) When a parking fee is combined with other payments or transactions such as a lease, or is otherwise not separately stated, or does not result from an arm's length transaction, or is not a fee held out to the general public as a uniform fee applicable to all stalls in the lot, or does not otherwise fairly reflect the value of the act or privilege of parking, the parking fee will be determined using the following guidelines:<sup>1</sup>

(i) Downtown core area (defined by Yesler Street on the south, I-5 on the east, and Stewart Street on the north): Monthly charge--\$230, daily charge--\$15;

North town area (defined by Denny way and then Boren on the north, Steward Street on the south: Monthly charge--\$150, daily charge--\$10;

South town area (defined by Yesler Street on the north, I-5 on the east, Royal Brougham on the south, Elliot Bay/Duwamish waterway on West): Monthly charge--\$100, daily charge--\$6;

Uptown North area (defined by Denny Way and then Boren on the south, Roy Street on the north, I-5 on the east, Elliot Bay on the west): Monthly charge--\$100, daily charge--\$6;

All other areas of the city: Monthly charge--\$65, daily charge-- \$5.

(ii) When a landlord (building owner or property manager) authorizes or provides a reduced parking fee or a free parking pass for non-reserved parking stalls to tenants not residing within the building as part of its lease agreement, then the landlord will be deemed a commercial parking business and must collect, report, and remit the parking tax measured by the amounts set forth in subsection 3(e)(i) above. The landlord(s) shall be solely responsible for any additional tax not collected (measured as the difference in value between the amounts set forth in 3(e)(i) above and the reduced parking fee) or the full amount of tax on the applicable amounts set forth in 3(e)(i) above for the free parking pass, as appropriate.

Independent contractors managing or operating commercial parking lots for landlords (herein, "managers") will be responsible for informing the Director in writing when the manager knows or should have known such free or reduced parking is provided in lots that they manage or operate. Commercial parking lot operators (managers) are responsible for informing landlords of the requirements contained in this subsection by: (A) providing written notice, at any time, to each of the landlords for which they manage parking, referring to this rule and stating that the landlord has the responsibility to pay parking tax based on the full amount of the fees contained in 3(e)(i); or (B) including language in the contracts under which they manage parking, referring to this rule and stating that the landlords shall be solely responsible for reporting and payment of the full amount of the tax measured by the amounts set forth in subsection 3(e)(i) above. Commercial parking lot operators (managers) shall also provide the Director with a written list of properties to which the commercial parking lot operator (manager) provides services. In the case of an audit, the names and addresses of the landlord shall also be provided if requested. Failure to inform the Director or the landlord as provided above will result in the commercial parking lot operator (manager) being jointly and severally liable for the tax. For the purpose of this subsection, "not residing" means the tenants do not maintain a home or residence within the building; "knows or should have known" means that a reasonable person is able to ascertain from the records of the operator and parking equipment that such reduced or free rates were provided by the landlord; "reduced rate" means any rate set below the guidelines set out in subsection 3(e)(i) above, or below ninety percent (90%) of the posted rate, whichever is lower; and "posted rate" means the rate that is advertised to the public or non-tenants and used in an arms length parking transaction.

(iii) When a person leases reserved parking stalls from a commercial parking lot operator (manager) or landlord (building management firm or building owner) for periods of 30 days or longer, the parking tax is not due on that transaction. However, if the person leasing those reserved stalls then provides those stalls to others, or to its employees, for a fee on a non reserved basis, then the person reselling the parking stalls will be considered a commercial parking business and must collect the tax from its customers or employees. If a person leasing those reserved stalls for a period of 30 days or longer does not charge a parking fee, then no parking tax is due.

(iv) When parking is purchased by a business from a commercial parking lot business to provide validated customer parking to its customers, the tax owed by the commercial parking lot business shall be based on the purchase price paid by the business to the commercial parking lot business. The business purchasing the

validated customer parking is considered to be the user of the parking slot. If an additional amount is charged to the business" customer by the commercial parking business above the value of the validated parking token, the additional amount will be subject to tax at the time the additional amount is paid to the commercial parking lot business by the business" customer.

(f) The parking price may be advertised, or signage may state parking costs, to include the applicable parking tax if wording to that effect is at least half the print size of the posted price print size. Unless otherwise stated in the signage, the advertised price will be presumed to exclude the parking tax. Notwithstanding the above, the receipt or ticket that is issued to the customer must show the tax broken out from the parking fee so that the person parking the vehicle knows the amount of the tax to be paid. The tax broken out on the receipt or ticket may also be combined with the retail sales tax.

When the retail sales tax and parking tax is advertised as being included within the stated parking price, the following calculation will be used to compute the retail sales tax and parking tax for reporting purposes and receipt purposes. For purposes of our example, the retail sales tax is 8.9%, the parking tax is 5%, and the advertised price (including taxes) to park in a non-reserved slot for a month is \$200. The total tax rate is 13.9% (8.9% + 5%).

To compute the tax amounts, you must first compute the amount charged for the parking excluding the taxes. Divide the \$200 charge by one plus the total tax rate of 13.9%, or  $(\$200/1.139)$ . This equals \$175.59. This is the amount charged for the privilege to park the vehicle (parking fee) and represents the amount subject to both the retail sales tax and the parking tax. The separate taxes may then be computed by multiplying the \$175.59 parking charge by the appropriate tax rate.

Parking tax  $\$175.59 \times 5\% = \$8.78$

Retail sales tax  $\$175.59 \times 8.9\% = \$15.63$

(4) Exemptions from the parking tax.

The following are exempt from the parking tax:

(a) Parking by a person in a stall reserved exclusively for that person for a period of 30 days or longer. The particular stall must be reserved for the person so that the person has a continuous right to park in that stall against all others.

(b) Parking of a motor vehicle owned or controlled by an individual in a stall provided with that individual's residence. To be exempt from the parking tax, residential parking must be in a reserved parking stall or be segregated from short

term public parking by a key card protected area. If the residence is only entitled to park in spaces available to the general public then the parking tax will be due since the resident is not ensured a parking space, but is competing with the general public for the parking spaces.

(c) Parking at stadiums and exhibition centers which the City is precluded from taxing pursuant to RCW 36.38.040. Presently, this includes only Qwest Field (Seahawks) and Exhibition Hall, and related parking facilities owned or leased by the public stadium authority.

(d) Parking on City of Seattle streets.

(e) Parking of vehicles that are exempted from the retail sales tax by federal government agreements (Consulate vehicles).

(f) Parking charges directly billed to, and paid by, federal, state, and local government.

(5) Jointly and several liability of owners, operators, lessees and managers of a commercial parking business. Where a commercial parking business is jointly or separately owned, operated, leased or managed by more than one person or entity, each such person or entity shall be responsible for collecting the parking tax in accordance with this Rule 5-925 and each shall be jointly and severally liable for reporting and remitting the parking tax; PROVIDED, however, that a parking lot manager operating a commercial parking business for a landlord that authorizes or provides a reduced parking fee or a free parking pass for non-reserved parking stalls to tenants not residing within the building as part of its lease agreement shall not be liable for the additional tax due under paragraph 3(e)(ii), above except as provided in that paragraph.

(6) Parking in government lots. Governmental entities, except the federal government, that operate a commercial parking lot within the City of Seattle are required to collect the parking tax from the person parking the vehicle and must remit such taxes to the City of Seattle.

(7) Examples.

(a) Mr. Smith is a resident in a downtown mixed use building which supplies parking to the building residents, businesses located in the building, and to the general public. If Mr. Smith receives a reserved stall with his residence no tax is due on his parking. If Mr. Smith is supplied parking in a section of the parking garage that is separated from the general public parking by the use of a key card to enter the area, then any parking fee charged to Mr. Smith will not be taxed. If Mr. Smith

merely has parking privileges in the area also used for general public parking fee, then the parking will be subject to tax.

(b) ABC Law Firm leases 20 reserved parking stalls in the building in which it leases its offices on a monthly basis from the commercial parking business which operates the garage facilities. Since the parking stalls are reserved for use by ABC Law Firm for a period of 30 days or longer, no tax is due on the transaction between ABC and the commercial parking business. If ABC allows clients and customers to use the parking spaces free of charge then no tax is collected from the clients and customers. If ABC charges its clients and customers to use the parking stalls, then ABC will be considered a commercial parking business and must collect and remit the parking tax on the parking charges. If ABC allows its partners or employees to use the parking stalls on a reserved (assigned to a particular employee or officer on a monthly basis) then no parking tax would be collected by ABC. However, if the officers and employees use the parking stall on a non-reserved or unassigned basis for a fee, then parking tax would be due on the parking.

(c) The landlord of the APEX Building leases 25 non-reserved parking spaces to a building tenant (non-resident) at a free or reduced price. Since the tenant does not live in the building, and is not entitled to reserved parking stalls for a period of longer than 30 days, the parking tax is due on the parking fee charged. The value of the parking will be computed using the parking values in (3)(e)(i) above. The Landlord will be considered to be a commercial parking business and must collect the parking tax and remit the tax to the City. The commercial parking lot operator must notify the Director that the landlord is acting as a commercial parking business and must also notify the landlord of this rule and its reporting obligation, as more specifically detailed in subsection 3(e)(ii) above, if providing tenants free or reduced non-reserved parking. Failure to do so will result in the commercial parking lot operator being responsible for reporting and remitting the tax to the City.

(d) Hotel Seven leases and reserves 40 parking slots in a commercial parking lot next to its hotel for a period of longer than 30 days. Hotel Seven then rents the parking slots to customers and charges the customers for the parking privileges. Hotel Seven is deemed a commercial parking business and must collect the parking tax from its customers on the amount of the parking charge. Hotel Seven does not owe the parking tax to the commercial parking lot operator for the lease of the 40 parking slots.

(e) Hotel Seven rents or leases the parking slots from CPL commercial parking lot for less than 30 days (as needed basis) and provides a resale certificate to the commercial parking lot operator. Hotel Seven is a commercial parking business and

must collect and report the parking tax from its customers. If Hotel Seven rents or leases the parking slots from CPL for less than 30 days (on an as needed basis) and does not give a resale certificate to CPL, then CPL must collect the tax from Hotel Seven which is the user of the parking slots.

Effective: February 12, 2008.

Amended: January, 2009

#### 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 \_\_\_\_ day of January, 2009.

CITY OF SEATTLE,

a Washington municipality

By: \_\_\_\_\_

Dwight D. Dively, Director

Department of Finance

1 These guidelines were developed with the assistance of the parking industry.

Jan 1, 2009