

THE CITY OF SEATTLE
DIRECTOR'S RULE
IMPLEMENTING SEATTLE BUSINESS TAX ORDINANCE
RULE 5-801

FILED
CITY OF SEATTLE

2008 FEB -8 AM 10:44

CITY CLERK

Seattle Rule 5-801 **Personal services, service activities.**

(1) Seattle Municipal Code Section 5.45.050 imposes a business license tax upon every person for the privilege of engaging in business within the city of Seattle. Persons engaged in a specifically named business activity classified within SMC 5.45.050 are subject to the corresponding tax rate set forth in the code, which is applied to the value of products, gross proceeds of sale, or gross income of the business. The business license tax classifications set forth in SMC 5.45.050 are as follows: extracting, manufacturing and processing for hire, manufacturing flour or wholesaling grain, wholesaling, retailing, tour operators, printing and publishing, motor carriers transporting freight for hire, and service and other business activities. All business activities which are not specifically identified in the code as reportable under any of these tax classifications, and all services not specifically classified elsewhere in the code are reportable under the service and other business activities classification.

(2) Personal or professional services defined. The term "personal or professional services," as used herein, refers generally to the activity of rendering services to persons as distinct from making sales of tangible personal property or the providing of services which have been defined in the code as a "retail service," "sale" or "sale at retail." (See SMC 5.30.040 or 5.30.050.)

Examples of persons rendering personal or professional services include accountants, aerial surveyors and map makers, agents, athletes contracting to provide professional services, ambulances, appraisers, architects, attorneys, barbers, baseball clubs and other sports organizations, beauty shop owners, brokers, chemists, chiropractors, collection agents, court reporters, dentists, detectives, employment agents, engineers, financiers, funeral directors, hospitals, janitors, kennel operators, laboratories, landscape architects, loan agents, medical service providers, motor carriers other than freight haulers, music teachers, orchestra or band leaders contracting to provide musical services, physicians, real estate agents, school bus operators, schools, stenographers, warehouses, teachers, theaters, undertakers, veterinarians, and persons engaged in other similar professions or services.

(3) **Business license tax.**

(a) Persons engaged in rendering personal or professional services, or any business activity other than, or in addition to, those for which a specific rate is provided in SMC 5.45.050, are taxable under the service and other business activities classification upon the gross income from such business.

(b) The service and other business activities classification does not apply to persons engaged in the business of cleaning, repairing, improving, altering, etc., the tangible personal property of others, such as automobiles, houses, jewelry, computers, refrigerators and machinery repairs, laundry, or dry cleaners. Also, it does not include certain personal and professional services specifically included within the definition of the term "retail service", or "sale at retail" in SMC 5.30.040 or 5.30.050, such as amusement and recreation businesses of a participatory nature (See Seattle Rule 5-700 *Amusement, recreation, and physical fitness services.*); abstract, title insurance and escrow businesses, credit bureau businesses and automobile parking and storage garage businesses. Furthermore, it does not include persons who render services to others in the capacity of employees as distinguished from independent contractors. (See Seattle Rule 5-039 *Employees distinguished from persons engaging in business.*)

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- (c) There must be included within gross income amounts reported for tax all fees for services rendered and all charges recovered for expenses incurred in connection with the services rendered, such as transportation costs, lodging, meals, and telecommunications charges, etc.

- (d) Persons engaged in a personal service business and selling articles of tangible personal property apart from the rendition of personal services shall report those sales separately under the retailing or wholesaling classification--whichever applies.

Effective: January 31, 2008.

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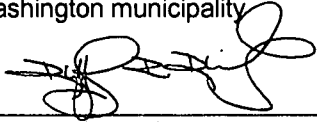
DIRECTOR'S CERTIFICATION

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 31st day of January, 2008.

CITY OF SEATTLE,
a Washington municipality

By:



Dwight D. Dively, Director
Department of Finance

STATE OF WASHINGTON – KING COUNTY

--SS.

217549
SEATTLE EXEC. SVCS-PURCHASING

No.

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 12th 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:PROP RULE MAKING HEARI

was published on:

11/16/07

The amount of the fee charged for the foregoing publication is the sum of \$ 111.60, which amount has been paid.



Affidavit of Publication

Subscribed and sworn to before me on

11/16/07

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

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 5.02 and 5.55, proposes to adopt new rules and amend an existing rule 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 (Admission 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 or amendment and will become effective as of December 14, 2007:

- Seattle Rule 5-005 -- Time payments.
- Seattle Rule 5-126 -- Conditional and installment sales, method of reporting.
- Seattle Rule 5-277 -- Clearing land, moving earth, cleaning, fumigating, razing or moving existing buildings, and janitorial service.
- Seattle Rule 5-300 -- Telecommunications service, telephone business, and telephone service.
- Seattle Rule 5-536 -- Leases or rentals of tangible personal property; financing leases.
- Seattle Rule 5-801 -- Personal service, service activities.
- Seattle Rule 5-900 -- Admission tax for nightclubs
- Seattle Rule 5-920 -- Imposition of the employee hours tax
- Seattle Rule 5-921 -- Exemptions, deductions, and credits available under the employee hours tax.
- Seattle Rule 5-925 -- Parking tax computations.

PUBLIC HEARING AND COMMENT:
The Department of Executive Administration has scheduled a public hearing on the proposed rule changes for 1:30 p.m. to 3:30 p.m., on Monday, December 10, 2007. The hearing will be held in a conference room on the 40th floor of the Seattle Municipal Tower, Suite 4080, 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.bizlictx@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, November 16, 2007.

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