



Seattle Tax Advisory Group

Date: Tuesday, June 2, 2026
10:00 am

Location: Microsoft Teams

Attendees:

Joseph Cunha, Tax Administrator, City of Seattle
Shannon Kingston, Director of Indirect Tax Policy, Planning and Controversy, Starbucks
Marsha McLean, State & Local Tax Compliance Manager, Weyerhaeuser
Mark Watterson, Tax Audit Manager, City of Seattle
Kevin Guichon, Tax Policy Analyst, City of Seattle
Arcadia Corbett, Senior Manager, Global Indirect Tax, Expedia Group
Tarah McGlaughlin, Director, State & Local Tax, Amazon
Dwight Dively, Acting Director, Office of City Finance

Minutes:

1. Welcome and Introductions

2. 2027 Model Ordinance and Seattle Municipal Code updates (SB 6113 and SB 6346)

Mark Watterson- Washington cities are completing another update to the Model Ordinance. The cities have published a draft update on the Association of Washington Cities (AWC)'s website. These changes reflected in the draft Model Ordinance will be effective Jan 1, 2027. The amendments include changes from SB 6113 (2026) and SB 6346 (2026). Most of the changes concern technical cleanup regarding service activities that have been reclassified as retail sales.

Joseph Cunha-With respect to the Model Ordinance updates that will be effective Jan 1 2027, WA cities are coordinating our effort with the AWC. The anticipation is that for the draft 2027 Model Ordinance updates we will have agreement among the cities by mid-July. I have been asked to submit Seattle Municipal Code tax updates by the end of July 2026.

Before Washington cities can proceed with the 2027 Model Ordinance updates we are required to go to the Association of Washington Business (AWB) and a few other business organizations. Sheila Gall is going to coordinate that effort. The draft changes are on the AWC website if people are interested in viewing the changes.

3. 2026 Directors Rules updates-service activities reclassified to retail

Mark Watterson-The City of Seattle is anticipating updating the Directors' Rules.

We were waiting for the passage of the cleanup bills before proceeding with the rule making process.

Most of the changes include proposed updates to a number of rules based on the change to the classification of certain service activities to a retail sale.

Dir. Rule	Reason for update
5-500 Computer Software	To clarify that sales of custom software and customization of prewritten computer software are subject to business license tax under the retail sales and retail services classification.
5-502 Information Services and computer related services	To clarify that IT services are subject to business license tax under the retail sales and retail services classification including data processing services.
5-503 Digital Products	- To clarify that certain exclusions from the definition of digital advertising services (DAS) have been removed except for sales between members of an affiliated group 1. primarily human effort 2. live presentations 3. advertising 4. data processing. - To clarify that two activities have been added to the exclusions to the definition of DAS 1) telehealth 2) telemedicine. - To define live presentations and the exemptions to the definition of live presentations.
5-620 Hospitals, other medical care facilities and adult family homes	- To clarify that sales of professional services (physicians, nurses, etc.) remain subject to business license tax under the service and other business activities classification even if the service provider uses one or more software applications and transfers the deliverable resulting from the service electronically. - To clarify that two activities have been added to the definition of DAS - o telehealth - o telemedicine.

	To clarify that temporary staffing services do not include staffing services provided to hospitals, hospital-based clinical providers and paymaster services.
5-804 Staffing business, staffing services	- To clarify that gross income derived from temporary staffing services is subject to business license tax under the retail sales and retail services classification. - To clarify that temporary staffing services do not include staffing services provided to hospitals, hospital-based clinical providers and paymaster services.
5-806 Advertising Agencies	- To clarify that gross income derived from advertising services is subject to business license tax under the retail sales and retail services classification. - To clarify the business activities that qualify as "advertising services."

Once the city completes the updates to the SMC, then we will commence the rule making procedures.

Dwight Dively—Do we have a date when we may begin the Dir. Rules hearing process?

Mark Watterson—We have not set any dates yet.

Joseph Cunha—Late fall (2026) is likely the timeline for the rules promulgation because we will be completing the SMC ordinance update first this summer.

Joseph Cunha I have a question for the business representatives about the service activities that have been reclassified as retail sales-Are there any areas of concern -with respect to the guidelines, definitions or sourcing of income or any other question?

4. **Open Items/Questions**

Payment Options

Joseph Cunha--If a taxpayer is filing manually and tendering a hard copy check, what types of payment options can the city offer that will assist businesses to more efficiently complete their tax payments to the city?

Dwight Dively—I have only been in the position for a couple of months. However, when I was informed that some taxpayers were required to tender city tax payments manually using a check, that seemed to me to be an antiquated method to use in 2026.

Tarah McLaughlin—An EFT or a wire is still in the olden days—likely older than checks. For our company, they do not allow us to do use ACH debit. Information security is the issue.

ACH credit is pushing payment information data to the city and that is the preferred method. Two levels of validation helps—a wire remains a more complex option.

Marsha McLean—Business to business ACH credit is the preferred payment method for taxpayers. There is another option, I think they called it Treasura, which allowed the taxpayer to add an addendum to the payment. You could not include an entire tax return, but you can identify the reason for the payment.