



Seattle Tax Advisory Group

Date: Tuesday, September 15, 2026
10:00 am

Location: Microsoft Teams

Attendees:

Dwight Dively, Director, Office of City Finance

Mark Watterson, Interim Tax Administrator, City of Seattle

Kevin Guichon, Tax Policy Analyst, City of Seattle

Holly Paige, Director, U.S. Tax, Russell Investments

Shannon Kingston, Director of Indirect Tax Policy, Planning and Controversy,
Starbucks

Marsha McLean, State & Local Tax Compliance Manager, Weyerhaeuser

Arcadia Corbett, Senior Manager, Global Indirect Tax, Expedia Group

Tarah McGlaughlin, Director, State & Local Tax, Amazon

Minutes:

1. Welcome and Introductions

Mark Watterson--

Joseph Cunha, City of Seattle Tax Administrator, has retired.

Mark Watterson is acting as the Interim Tax Administrator.

Each TAG member identified themselves and their employer.

Dwight Dively—The position of Tax Administrator has been posted on the city's website. TAG members are welcome to identify potential candidates to fill the open position. The city has engaged a search firm to support its effort to retain the best possible candidate because the position is very important for the city.

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

Mark Watterson—During the 2026 legislative session, the state passed two bills SB 6113 (2026) and SB 6346 (2026). These bills clarified certain definitions and exemptions regarding the service activities reclassified to retail by SB 5814 (2025). As a result of the state law changes, Washington cities who impose local B&O taxes agreed to adopt 2026 amendments to the model ordinance. The 2026 model ordinance updates will become effective January 1, 2027.

In accordance with the 2026 model ordinance updates, OCF has provided draft ordinance updates to the city's legislative office.

Dwight Dively--Next Tuesday (September 22, 2026), the mayor will present her budget to the city council. As part of the budget package, the model ordinance updates to the SMC will be presented to the city council. The model ordinance updates to the SMC is likely to be uncontroversial and council is likely to pass it in November of 2026.

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

Model Ordinance changes and updates to the SMC addressing service activities that are now classified as retail have prompted the city to update five director's rules to clarify the changes in state law.

The city has tentatively set aside a hearing date for amended rules for October 20, 2026. OCF will be soon sending out some information regarding the hearing date and requests for notice and comment on the 5 rules to be amended.

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.

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."

Mark Watterson—What are your businesses finding the most challenging with respect to implementation of the reclassification of certain service activities to retail, either with respect to defining the activities now subject to the retail classification or with respect to sourcing income derived from those activities?

Arcadia Corbett—Sourcing and documenting exemptions are challenging—temporary staffing and advertising are creating more significant issues. Their company is setting up systems to address these questions. They have received some questions from vendors about these changes. Some vendors noticed the changes immediately and some others did not--so many, small administrative questions have arisen from their clients.

Arcadia Corbett--Temporary Staffing and Advertising—sourcing –Have the cities published guidelines regarding sourcing of the service activities that have been reclassified to retail? Are the cities going to follow the state or are the cities going to create their own sourcing guidance for the service activities reclassified to retail?

Mark Watterson—Cities' income sourcing is set in the model ordinance and cities have published guidance on how to source those activities that were recently reclassified from service to retail sales. Perhaps Kevin can copy links to the cities sourcing guidance regarding the service activities reclassified to retail in the chat. Washington cities source income based upon where the activity takes place. In the guidance that cities have published for income received from service activities reclassified to retail, we tried to align ourselves with that sourcing rule. A lot of the city sourcing for income derived from services reclassified as retail lines up with the state guidance.

Kevin Guichon—Copied and pasted into the TEAMS chat the following links:

1. Washington cities' agreed sourcing guidance for certain service activities reclassified to retail-- [AWC Guidance SB5814 sourcing-1.pdf](#)

2. City of Seattle web page Certain Service Activities Reclassified to Retail--
[Effective January 1, 2026, Certain Service Activities Reclassified to Retail - City Finance | seattle.gov](#)

Holly Paige--If a business retains a temporary staff in Mumbai, India, who report to a manager in Seattle and the services are benefitting Seattle, does the city source that income to Seattle?

Mark Watterson—No, the cities are sourcing income derived from temporary staffing services to the location where the temporary employees are performing their duties.

Holly Paige--If the invoicing says Seattle is the sourcing to Seattle, does that matter?

Mark Watterson—The cities are sourcing income derived from temporary staffing based upon where the temporary staff are performing their services. As long as the taxpayer knows where the temporary staff are performing their services, then the income derived from those services will be sourced to that location.

Kevin Guichon—The one area where the cities have agreed to follow state guidance regarding sourcing is advertising.

Arcadia Corbett—That was my next question. How are the cities going to source income from digital advertising?

Mark Watterson—Summarized the city sourcing guidance for advertising services.

Arcadia Corbett—Thanks, I appreciate the refresher.

Mark Watterson—The sourcing guidelines have been agreed to by all of the cities. Please review them and if you have any questions, please feel free to contact us.

4. Open Items/Questions

Meeting adjourned.