

Other Revenue Sources Available to Cities

Business and Occupation Taxes

These taxes are levied at a percentage rate on the gross receipts of the business, less some deductions. Businesses are put in different classes such as manufacturing, wholesaling, retailing, and services. Within each class, the rate must be the same, but it may differ among classes.

In 1982, the legislature set the maximum tax rate that can be imposed by a city's legislative body at 0.2 percent (0.002), but grandfathered in any higher rates that existed prior. Any city may levy a rate higher than 0.2 percent, if it is approved by a majority of the voters. Approximately 43 of Washington's 281 cities levy this tax.

Business and occupation taxes are unpopular with business people and are termed inequitable by some tax experts because they tax gross receipts rather than profits. Other people argue that the entire state and local tax structure is inequitable because Washington has no income tax. The business and occupation tax is, along with property tax, the sales tax, and utility taxes, one of the four major revenue options given to the cities by the legislature. The basic argument in favor of the tax is that businesses benefit from general government expenditures, especially police and fire services, that are supported by the tax.

It is difficult to estimate what the City of West Richland would collect if a B & O tax were implemented. If we were to use information received from sales tax data at 0.2 percent, the City would receive approximately \$174,384 annual.

Admission Tax

All cities may levy an admission tax in an amount no greater than five percent of the admission charge, as is authorized by RCW 35.21.280. This tax can be levied on admission charges (including season tickets) to places such as theaters, dance halls, circuses, clubs that have cover charges, observation towers, stadiums and any other activity where an admission charge is made to enter the facility.

The statute provides exceptions for admission to elementary or secondary school activities and any public facility of a city or county public facility district for which the district has levied an admission tax under RCW 35.57.100 or 36.100.210. A city may, however, impose its own tax on admission to activities at a public facility district, in addition to the tax the district levies, if the revenue is used for the construction, operation, maintenance, repair, replacement, or enhancement of that public facility or to develop, support, operate, or enhance programs in that public facility. Some cities exempt certain events sponsored by nonprofits from the tax. This is not a requirement, however.

Metropolitan Park District

A metropolitan park district, authorized by Ch. 35.61 RCW, may be created for the management, control, improvement, maintenance, and acquisition of parks, parkways, boulevards, and recreational facilities.

A city may initiate district formation by adopting a resolution submitting a proposition for its formation to voters within the proposed district boundaries. If the district includes area within the county or other cities and counties, the legislative body of each city and/or county that includes a portion or all of the area in the district must adopt a resolution submitting the proposition to the voters.

A metropolitan park district is a junior taxing district that has two regular property tax levies available – one of 50 cents per thousand dollars assessed valuation (AV) and one of 25 cents. They are considered as one levy for the purposes of the levy limits. The aggregate regular levy rates of senior taxing districts (counties and cities) and junior taxing districts (fire districts, metropolitan park districts, cemetery districts, library districts, park and recreation district, etc.) may not exceed \$5.90 per thousand dollars AV. If this limit is exceeded, the levy of at least one junior taxing district must be prorated. In addition to levy rate limits, both statutory law and the state constitution limit regular property tax levies (including the state levy) to one percent of the true and fair value of the property.

List of revenue sources currently in use for the City's governmental funds (highlighted revenue items are restricted for specific uses):

- Property Tax
- Retail Sales and Use Tax
- Utility Tax
- Regulatory License Fees
- Real Estate Excise Tax
- Lodging Tax
- Gambling Tax
- Leasehold Excise Tax
- Liquor Excise Taxes and Profits
- Motor Vehicle Fuel Excise Tax
- City-County Assistance
- Public Utility Districts Privilege Tax
- Criminal Justice Revenue (Population, Violent Crime, and Special Programs; 0.1 percent sales tax under RCW 82.14.340 and 0.3 percent sales tax under RCW 82.14.450)
- Franchise Fees
- Interest on Investments

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- Traffic and Parking Fines
- Impact Fees
- Other Fees and Charges

Local Business (B&O) Tax Rates Effective January 1, 2016

City	County	Phone #	Manufacturing Rate	Retail Rate	Services Rate	Wholesale Rate
Aberdeen	Grays Harbor	(360) 533-4100	0.002	0.003 e	0.00375 e	0.003 e
Algona	King	(253) 833-2897	0.00045	0.00045	0.00045	0.00045
Bainbridge Island*	Kitsap	(206) 780-8668	0.001	0.001	0.001	0.001
Bellevue	King	(425) 452-6851	0.001496	0.001496	0.001496	0.001496
Bellingham	Whatcom	(360) 778-8010	0.0017	0.0017	0.0044 e	0.0017
Bremerton	Kitsap	(360) 473-5311	0.0016	0.00125	0.002	0.0016
Burien**	King	(206) 241-4647	0.001	0.001	0.001	0.001
Cosmopolis	Grays Harbor	(360) 532-9230	0.001487	0.001487	0.001487	0.001487
Darrington	Snohomish	(360) 436-1131	0.0075	0.0075	0.0075	0.0075
Des Moines	King	(206) 878-4595	0.002	0.002	0.002	0.002
DuPont	Pierce	(253) 964-8121	0.001	0.001	0.001	0.001
Everett	Snohomish	(425) 257-8601	0.001	0.001	0.001	0.001
Everson	Whatcom	(360) 966-3411	0.002	0.002	0.002	0.002
Granite Falls	Snohomish	(360) 691-6441	0.002	0.002	0.002	0.002
Hoquiam	Grays Harbor	(360) 532-5700	0.002	0.002	0.002	0.002
Ilwaco	Pacific	(360) 642-3145	0.002	0.002	0.002	0.002
Issaquah	King	(425) 837-3054	0.0012	0.0012	0.0015	0.0012
Kelso	Cowlitz	(360) 423-0900	0.001	0.001	0.002	0.001
Kenmore****	King	(425) 398-8900	0.002	0.002	0.002	0.002
Kent	King	(253) 856-6266	0.00046	0.00046	0.00152	0.00152
Lacey	Thurston	(360) 491-3214	0.002	0.001	0.002	0.002
Lake Forest Park	King	(206) 368-5440	0.002	0.002	0.002	0.002
Long Beach	Pacific	(360) 642-4421	0.002	0.002	0.002	0.002
Longview	Cowlitz	(360) 442-5000	0.001	0.001	0.002	0.001
Mercer Island*	King	(206) 275-7783	0.001	0.001	0.001	0.001
North Bend	King	(425) 888-1211	0.002	0.002	0.002	0.002
Ocean Shores	Grays Harbor	(360) 289-2488	0.002	0.002	0.002	0.002
Olympia	Thurston	(360) 753-8327	0.001	0.001	0.002	0.001
Pacific	King	(253) 929-1100	0.002	0.002	0.002	0.002
Port Townsend	Jefferson	(360) 385-2700	0.002	0.002	0.002	0.002
Rainier	Thurston	(360) 446-2265	0.002	0.002	0.002	0.002
Raymond	Pacific	(360) 942-3451	0.002	0.002	0.002	0.002
Renton***	King	(425) 430-6400	0.00085	0.00050	0.00085	0.00085
Roy	Pierce	(253) 843-1113	0.001	0.002	0.002	0.001
Ruston	Pierce	(253) 759-3544	0.0011	0.00153	0.002	0.00102
Seattle	King	(206) 684-8300	0.00215 v	0.00215 v	0.00415 v	0.00215 v
Shelton	Mason	(360) 426-4491	0.001	0.001	0.001	0.001
Snoqualmie	King	(425) 888-1555	0.0015	0.0015	0.0015	0.0015
Tacoma	Pierce	(253) 591-5252	0.0011	0.00153	0.004 e	0.00102
Tenino	Thurston	(360) 264-2368	0.002	0.002	0.002	0.002
Tumwater	Thurston	(360) 754-5855	0.001	0.001	0.002	0.001
Westport	Grays Harbor	(360) 268-0131	0.0025 e	0.005 e	0.005 e	0.0025 e
Yelm	Thurston	(360) 458-3244	0.001	0.002	0.002	0.001

Average 0.00165 0.00174 0.00214 0.00168

(v) = voter approved increase above statutory limit

(e) = rate higher than statutory limit because rate was effective prior to January 1, 1982 (i.e., grandfathered).

* For Bainbridge Island and Mercer Island, the B&O tax rates are still .001 with a gross receipts annual exemption amount of \$150,000 (i.e. only gross receipts in excess of \$150,000 are subject to the .001 tax rate).

** For Burien, business with gross receipts under \$200,000 are exempt.

***Renton passed a B&O tax for businesses with more than \$1.5 million in revenue per year effective January 1, 2016.

****Kenmore passed a B&O tax for heavy manufacturing businesses effective April 1, 2016.

NOTE: Tax rates may apply to businesses categories other than those above. Exemptions, deductions, or other exceptions may apply in certain circumstances. Contact the city finance department for more information.

Funding Options – Some Benefits and Challenges

Property Tax Levy Lid Lift

Benefits:

- More stable revenue source
- Individuals can deduct on their federal taxes the cost of property taxes assessed on the properties they own
- Local governments, schools, churches are exempted from property tax
- Property tax exemptions and deferrals for senior citizens, disabled persons and low-income
- City would not need to use all of its levy capacity
- City has more control over service level

Challenges:

- City may have to negotiate a new contract with the Library District every several years

Electric Utility Tax Increase

Benefits:

- The tax is on the utility not the customer and must be paid by the utility (although utilities will often pass the tax along to the customers)
- City keeps its full levy capacity
- City has more control over service level

Challenges:

- Revenue source dependent on use (e.g. revenue will decrease or remain flat if there is a mild winter)
- Cannot be used as a deduction on federal taxes like property tax
- There are no exemptions or deferrals for senior citizens, disabled persons and low-income
- Local governments, schools, churches are not exempted and may be passed on the tax by the utility
- City may have to negotiate a new contract with the Library District every several years

Annexation into the Library District

Benefits:

- Annexation may provide a more secure funding source
- Eliminates contract negotiation between the City and the Library District
- Individuals can deduct on their federal taxes the cost of property taxes assessed on the properties they own
- Local governments, schools, churches are exempted from property tax
- Property tax exemptions and deferrals for senior citizens, disabled persons and low-income

Challenges:

- An annexed city has little accountability leverage or control over the service model, only recourse is through the Library Board of Trustees.
- City surrenders its levy capacity to the library district through annexation which limits the ability to raise revenues in the future for public services such as public safety, streets, and parks and may impact the City's bond rating.