



City of Redmond

15670 NE 85th Street
Redmond, WA

Memorandum

Date: 5/6/2025
Meeting of: City Council

File No. AM No. 25-070
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748
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DEPARTMENT STAFF:

Finance	Kelly Hsi	Finance Program Manager
Finance	Haritha Narra	Deputy Finance Director

TITLE:

Adoption of an Ordinance Amending RMC 5.44.060, Return Required - Due Dates and Payment, Changing the Frequency of Due Dates and Payment for Telephone Business, Competitive Telephone Service, and Cellular Telephone Service

- a. Ordinance No. 3213: An Ordinance of the City of Redmond, Washington, Amending RMC 5.44.060, Return Required - Due Dates and Payment, to Change the Frequency of Due Dates and Payment for Telephone Business, Competitive Telephone Service, and Cellular Telephone Service

OVERVIEW STATEMENT:

Redmond Municipal Code (RMC) 5.44.060 governs the occupation tax for businesses and requires monthly tax payments, unless a written request for an alternate payment schedule is submitted to the City. However, processing these small monthly payments is highly inefficient, as the administrative costs of handling them often exceed the tax revenue collected.

To enhance administrative efficiency and provide relief to businesses, it is recommended that RMC 5.44.060 be revised to adjust the payment frequency for telephone business, competitive telephone service, and cellular telephone service. The payment frequency of the occupation tax for these business activities will be based on gross income.

- If the monthly gross income is \$20,000 or less, tax payments shall be made annually.
- If the monthly gross income exceeds \$20,000, tax payments shall be made quarterly.

This recommended change impacts only telephone and cellular business activities because their tax amounts due are nominal, making the administrative burden of reporting and processing monthly payments impractical. There shall be no penalty for taxpayers who choose to make payments more frequently. This change will not impact the annual revenue collected.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ Receive Information ☐ Provide Direction ☒ Approve

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
Council approval is required for the adoption of an ordinance to revise the RMC.
- **Council Request:**
N/A
- **Other Key Facts:**
RMC 5.44.060 specifies the payment frequency for all businesses subject to occupation tax. RCW 35.102.070 specifies reporting frequency for cities that impose a business and occupation tax. Updating RMC 5.44.060 will align its language to be consistent with state law.

OUTCOMES:

The approval to revise RMC 5.44.060 for Telephone & Cellular business activities aligns with best practices in tax administration by reducing the frequency of payments from smaller businesses while maintaining timely revenue collection from larger entities. The administrative burden on city staff will also be reduced, allowing city resources to be allocated more effectively.

- Approximately 125 businesses remit monthly occupation tax payments for Telephone & Cellular services.
- Approximately half of those businesses had a monthly tax payment under \$100.
- About a quarter of those businesses had a monthly tax payment under \$10.
- Only about 15 businesses report a monthly gross income exceeding \$20,000.

Tax payments for Telephone business, Competitive telephone service, and Cellular telephone service will no longer be collected monthly and will be collected on either a quarterly or annual basis depending on gross income reported. A revised payment schedule is provided in Attachment B.

The change will be effective for billing periods beginning January 2026. Aligning the change with the start of a new calendar year ensures a clean transition for accounting and financial reporting. This reduces the complexity of managing payments already received in 2025 and avoids discrepancies that could arise from the year-end reconciliation process. This effective date will also allow sufficient time for the City to notify impacted businesses of the change and provides businesses sufficient time to adjust their internal processes related to these tax payments.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
May 2025 through Dec 2025
- **Outreach Methods and Results:**
 - In alignment with Council's direction, Finance staff collaborated with the Communications Team to develop a Let's Connect questionnaire to gather input on the proposed changes to the utility tax payment due date schedule. Potentially impacted businesses were sent an email asking them to complete a questionnaire to assess whether they supported the change and had any concerns. The questionnaire was open April 16-April 27. The first email was sent April 16, and a reminder email was

sent April 24.

- Letter and email to each impacted business notifying them of the upcoming change to due date schedule (Finance staff has contact information for these taxpayers)
- Finance staff will coordinate with Communications staff to explore other city communication channels as needed

- **Feedback Summary:**

Approximately 100 telephone and cellular business owners and accounting contacts were contacted via email and asked to complete the questionnaire. Two responses were received, both expressing support for the proposed change to a quarterly or annual filing frequency. No concerns were raised. Questionnaire results are provided in Attachment C.

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: ☐ Yes ☐ No ☒ N/A

Budget Offer Number:
N/A

Budget Priority:
Strategic & Responsive

Other budget impacts or additional costs: ☐ Yes ☐ No ☒ N/A
If yes, explain:
N/A

Funding source(s):
N/A

Budget/Funding Constraints:
N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
4/15/2025	Committee of the Whole - Finance, Administration, and Communications	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
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N/A	None proposed at this time	N/A
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Time Constraints:

N/A

ANTICIPATED RESULT IF NOT APPROVED:

If this code revision is not approved, telephone and cellular businesses will remain obligated to pay monthly occupation taxes, despite the minimal tax amount. This requirement is inefficient and places a burden on both businesses and city staff. The cost of processing frequent small payments often exceeds the revenue collected. Shifting to a less frequent payment schedule will simplify the process, reduce administrative burdens, and enhance efficiency for all parties involved.

ATTACHMENTS:

Attachment A: An Ordinance of the City of Redmond, Washington, Amending RMC 5.44.060, Return required - Due dates and payment

Attachment B: Revised Payment Schedule

Attachment C: Let's Connect Questionnaire Results