

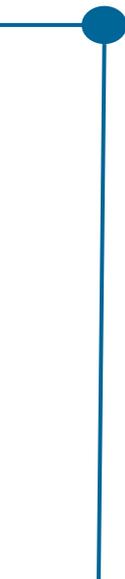


City of Bellevue

# B&O Tax Simplification and License Update

**Square Footage Tax and Business Licensing**

Troy Lucas, Tax Division Manager  
Michael Chandler, City of Bellevue Controller  
Finance and Asset Management  
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# Information Only

Square footage tax simplification efforts; proposed annual business license renewal, and business outreach plans

# AGENDA



Square Footage Tax



Business Licensing



Business Outreach

# B&O Taxes in Bellevue

Two components:

- Gross receipts tax
  - Model ordinance
  - Rate: 0.001596 (0.1596%)
  - Threshold: >\$215,000
- Square footage tax
  - Only a handful of WA cities administer this tax
  - Bellevue's calculation is unique and complicated
  - Rate: \$1.25 per taxable square foot
  - Threshold: >250 square feet

# Square Footage Tax Issues

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- Low compliance rate – approx. 50%
- Requires multiple space classifications
- Complicated exemption formula

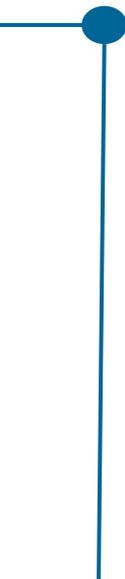
# Simplification Goals

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- Easy to understand and calculate
- Regionally consistent
- Minimize impact to city revenues
- Reduce tax & compliance burden on small businesses, where possible

# Approach to Simplification

- Keep it revenue neutral
- Make it easy to calculate
  - Remove space classification requirements
  - Simplify exemption
- Minimize impact to businesses
  - Reduce the Square Footage tax rate
  - Increase the exemption threshold
  - Adjust the Gross Receipts threshold
- No change to current gross receipts tax rate



# Business Licensing

- All businesses operating in the city are required to obtain a tax license
- Cost of a license is same for all businesses
- Perpetual license. No renewal required

# Business Licensing Issues

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- Only determination of ongoing operations or contact includes tax returns filed and self-reporting of closure
- Impact to other city departments needing accurate business information
- Inconsistent communication with businesses

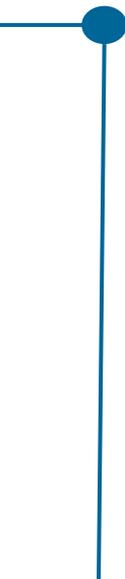
# Business License Goals

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- Support and advance Economic Development Plan Goals (section # 2.1.3.2)
- Regionally consistent
- Align with standard business practice
- Improve accuracy of records with timely updates of business information
- Improve City responsiveness

# Business Licensing Approach

- Move to an annual license renewal
- Minimize operational burden
- Possible tiered structure
  - Based on business size (i.e. gross revenue)
  - Not based on FTE or headcount
  - Utilize standard calculation for rate (not unique)



# Business Outreach

- Engage businesses and other stakeholders
- Return with recommendations at a future meeting

# Business Outreach

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## The Plan:

- Review square footage and business license proposals with businesses
- Receive feedback on approach

## Outreach methods:

- Business organizations
- Internal tax notification system
- In-person / virtual meetings
- Small business focus



**Information Only**