

CITY COUNCIL REGULAR SESSION

Ordinance relating to the Business and Occupation Tax; increasing the rate of the tax; providing an effective date therefor; providing for a referendum procedure in accordance with the statute; and amending Bellevue City Code 4.09.050.

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Finance & Asset Management

EXECUTIVE SUMMARY

This Ordinance will amend Ordinance Nos. 5436, 5558, 5780, 6093, and 6604 and Bellevue City Code 4.09.050 to revise the City's Business and Occupation taxable gross receipts tax rate from the current 0.1496 percent to a revised rate of 0.1596 percent effective January 1, 2023.

RECOMMENDATION

Move to adopt Ordinance No. 6696

BACKGROUND/ANALYSIS

The 2023-2024 Preliminary Budget includes a Business and Occupation gross receipts tax adjustment to provide the City with additional resources to meet the needs of a growing and urbanizing city.

Chapter 4.09 of the Bellevue City Code (BCC) levies a tax upon every person for the act or privilege of engaging in businesses activities within the City. Under authority granted the City under RCW 35.21.710 the City levies a tax measured by gross receipts or gross income sales not to exceed 0.20 percent. The current tax rate applied to taxable gross receipts in Bellevue is 0.1496 percent as was adopted by City Council on December 4, 1989.

This Ordinance would adjust the taxable gross receipts rate up 0.01 percent to a revised rate of 0.1596 percent effective January 1, 2023. This Ordinance would not alter the exemption for businesses with 2023 taxable gross receipts below \$180,000.

The table below illustrates the impact of the revised taxable gross receipts rate on businesses within the City of Bellevue:

Taxable Gross Receipts within Bellevue	Currently Paying	0.01% Adjustment	Estimated 2023 Taxable Gross Receipts Paid
Less than \$180,000	Exempt from Tax	Exempt from Tax	Exempt from Tax
\$250,000	\$374	\$25	\$400
\$1,000,000	\$1,496	\$100	\$1,596
\$100,000,000	\$149,600	\$10,000	\$159,600
\$1,000,000,000	\$1,496,000	\$100,000	\$1,596,000

Additionally, this Ordinance would be subject to the referendum procedures outlined in RCW 35.21.706.

POLICY & FISCAL IMPACTS

Policy Impact

Bellevue City Code 4.09 levies a tax upon every person for the act or privilege of engaging in business activities within the City, which tax is determined by application of rates given against certain criteria therein specified.

RCW 35.21.710 provides taxing authority granted to the City for taxes upon business activities measured by gross receipts or gross income from sales not to exceed a rate of 0.0020. This Ordinance increases the Business and Occupation Tax rates on activities measured by gross proceeds of sale, gross income of business and values of products, including by products from the current rate of 0.001496 to a revised rate of 0.001596 effective January 1, 2023.

Ordinance No. 4094 reserves 0.0001 of the gross receipts tax for Convention Center purposes leaving the unlevied tax rate capacity of 0.000404 (0.0404 percent) in 2023 pursuant to the limit 0.0020 set forth in the applicable RCW.

This Ordinance is subject to the referendum procedures outlined in RCW 35.21.706 and BCC 1.12.

Fiscal Impact

The 0.01 percent increase in the taxable gross receipts tax rate included in this Ordinance would generate in a rough order of magnitude \$3.5 million for the City's General Fund.

OPTIONS

1. Adopt the Ordinance relating to the Business and Occupation Tax; increasing the rate of the tax; providing an effective date therefor; providing for a referendum procedure in accordance with the statute; and amending Bellevue City Code 4.09.050.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

- A. Final Strike Draft
Proposed Ordinance No. 6696

AVAILABLE IN COUNCIL LIBRARY

N/A