City of Bellevue

11/25/2025

CITY COUNCIL AGENDA TOPIC

Ordinance amending Section 4.09.030 of the Bellevue City Code pursuant to a mandatory B&O Tax Model Ordinance update.

John Resha, Chief Financial Officer, 452-2567
Michael Chandler, Controller, 452-5249
Troy Lucas, Tax Manager, 452-4358
Finance & Asset Management Department

Katie White, Assistant City Attorney, 452-2731
City Attorney's Office

EXECUTIVE SUMMARY

ACTION	Adopt the Ordinance to amend BCC 4.09.030 to align the retail definitions with state definitions as amended by Senate Bill 5814. This amendment reflects a mandatory change to the Model Ordinance applicable to all cities with a local Business and Occupation (B&O) tax. If approved, the ordinance will take effect thirty days after passage and legal publication. The City plans to begin enforcing the updated provisions of BCC 4.09.030 on January 1, 2026.

RECOMMENDATION

Move to adopt Ordinance No. 6885

BACKGROUND/ANALYSIS

Since 2004, cities with local B&O taxes are required to adopt the B&O Tax Model Ordinance with mandatory uniform provisions related to a minimum threshold, tax classification definitions, engaging in business definition, and allocation and apportionment for activities occurring in more than one jurisdiction. (Chapter 35.102 RCW)

The Washington state legislature passed Senate Bill 5814 (the Bill) on April 24. The Bill changed the tax classification from services to retail for the following:

- advertising services
- live presentations
- information technology services
- custom website development services
- investigation, security, and armored car services
- temporary staffing services
- sales of custom software and customization of prewritten software

A work group of city finance directors and tax managers convened over the summer to assess updates needed to the B&O Model Ordinance in response to the recently enacted legislation. The workgroup agreed to limit revisions to the Model Ordinance to those necessary to implement the state's statutory changes related to sales at retail.

The Model Ordinance changes are as follows:

- Core Model Ordinance 4.09.030: Definition of “sale at retail”
  - adds new subsection to incorporate changes to professional services.
  - updates language related to custom software and customization of prewritten software.
  - updates language related to digital goods and digital automated services.
- Core Model Ordinance 4.09.030: Definition of “sale at wholesale”: adds language to parallel updates to software in retail sales (6).
- Technical change: 4.09.030 “sale at retail”: (1) moves misplaced language to correct typo created when extended warranties were added to the model.

While the Bill also changed the definitions of digital automated services and digital goods, the Model Ordinance did not need updating because it incorporates the state’s definition by reference to the RCW.

Cities with B&O tax are required to adopt mandatory changes to the Model Ordinance with the same effective date of January 1, 2026. Failure to adopt the updated Model Ordinance language by this deadline will result in the City being unable to enforce its B&O tax code provisions until these changes are adopted.

POLICY & FISCAL IMPACTS

Policy Impact
RCW 35.102
Under the Model Ordinance statute, all cities with a B&O tax must adopt this change with the same effective date January 1, 2026. If a city does not comply with this change, they may not enforce its B&O tax code until the changes take effect.

Fiscal Impact
The fiscal impact from adoption of these changes is de minimis to the total citywide budget.

OPTIONS

1. Adopt the Ordinance amending Section 4.09.030 of the Bellevue City Code pursuant to a mandatory B&O Tax Model Ordinance update.
2. Do not adopt the Ordinance and provide alternative direction for staff.

ATTACHMENTS

A. Ordinance - Redlined
Proposed Ordinance No. 6885

AVAILABLE IN COUNCIL LIBRARY

N/A