

**CITY COUNCIL STUDY SESSION**

Briefing regarding state requirement to adopt new minimum threshold business license provisions and to adopt a change to the definition of engaging in business.

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**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

State law requires that all cities that require a business license adopt changes in its code to comply with the model ordinance as adopted by the state legislature. These changes must be made by January 1, 2019. The changes to Bellevue's code are minor, do not impact the City's authority to enforce provisions of its business license code and result in a very small amount of lost revenue. Tonight's briefing is an opportunity for the council to learn about the changes, ask questions and provide direction to staff. Based on Council direction, formal action will be requested at a future meeting on legislation to amend the City Code and the Bellevue City Tax Administrative Code.

**RECOMMENDATION**

N/A

**BACKGROUND & ANALYSIS**

In 2017, in response to concerns expressed by small business owners regarding the burden of obtaining a business license from every jurisdiction in which it provides a service, the state legislature passed a law that established a task force on business licensing processes. The charge to the task force was to develop a model ordinance to simplify business licensing when businesses operate in multiple jurisdictions. The legislation required consultation and input from the business community and required that all cities that have business license programs adopt the resulting model ordinance by January 1, 2019.

The business license model ordinance is very limited in scope. In Bellevue, the ordinance will require two changes to the City's code: set a threshold of \$2,000 in gross receipts before a business would have to obtain a business license for businesses that do not have a location within Bellevue; and require a change in the definition of "engaging in business". The City's codes must be amended to implement the new requirement that a business is not required to obtain a business license if the

annual value of products, gross proceeds of sales or gross income of the business in the City is equal to or less than \$2,000 and who do not maintain a place of business within the City. Under the model ordinance, a city can also establish a higher threshold than \$2,000.

Currently, the City's code provides that all businesses must file a license if they engage in business, no matter how limited, within the City limits. Adopting a \$2,000 threshold will have a de minimis impact to City revenues. On average, the City has between 10 and 15 businesses a year which would no longer be required to file a license, totaling approximately \$1,500 in revenue. Implementing such a threshold also supports small businesses who do minimal business and do not have a place of business in Bellevue since they will no longer be required to obtain a license.

The model ordinance also provides an option to allow cities to require businesses with equal to or less than \$2,000 in sales and who do not maintain a place of business within the city, to obtain a business license at no cost by submitting a business license registration to the Finance Director. Bellevue staff is not recommending this option because it would require new administrative procedures and additional costs to track and maintain licenses that are submitted to the Director only.

The model ordinance provisions do not impact the City's ability to continue to set business license fees and use FileLocal for business licensing. As Council will recall, FileLocal was established by interlocal agreement and allows businesses in Bellevue, Seattle, Tacoma, Everett, Lake Forest Park and Renton to file for business licenses and pay business and occupation taxes online.

The model ordinance language can be found in Attachment A. Formal action to adopt the new provisions will be requested at a future Council meeting.

## **POLICY & FISCAL IMPACTS**

RCW 35.90.080 (2) – A city that imposes a general business license requirement must adopt the mandatory provisions of the model ordinance by January 1, 2019.

RCW 35.90.090 – Cities that impose a general business license must adopt the mandatory provisions of the model ordinance as provided in RCW 35.90.080 by January 1, 2019. A city that has not complied with the requirements of this section by January 1, 2019, may not enforce its general business licensing requirements on any person until the date that the mandatory provisions of the model ordinance take effect within the city.

The fiscal impact from adoption of the new model ordinance is de minimis.

## **OPTIONS**

N/A

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

A. Model ordinance language

## **AVAILABLE IN COUNCIL LIBRARY**

N/A