

CITY COUNCIL REGULAR SESSION

Ordinance amending Bellevue City Code section (BCC) 4.03.025, as previously amended, to add a threshold exemption for business registration/license requirements as required by State legislation creating a model municipal business license ordinance.

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EXECUTIVE SUMMARY

This is one of two actions for Council amending the City Code for the mandatory business license model ordinance. 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.

This agenda memo addresses the Ordinance amending BCC 4.03.025 – Registration/License Requirements. A separate agenda memo addresses the Ordinance amending BCC 4.09.030L - Definition of “engaging in business”.

RECOMMENDATION

Move to adopt Ordinance No. 6432

If approved, effective date is thirty days after passage and legal publication. The City plans to enforce the changes to BCC 4.09.025 effective January 1, 2019.

BACKGROUND/ANALYSIS

At the October 8 study session, staff presented the required changes to the City’s business license provisions, summarized below. Council directed staff to return with Ordinances implementing both the revision to the threshold for business and updating the definition of “engaging in business”. This memo addresses the business license threshold update, and the companion memo updates the definition of “engaging in business”.

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 cities, such as Bellevue, to adopt the resulting model ordinance by January 1, 2019.

The model municipal business license ordinance changes related to a threshold for requiring business license registration are very limited in scope. The model ordinance requires the City amend its code to provide that a business is not required to obtain a business license if 1) 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, 2) it does not maintain a place of business within the City. Under the model ordinance, a city can also establish a higher threshold than \$2,000. The Ordinance presented to Council this evening includes the minimum threshold of \$2,000 as discussed with Council on October 8.

Currently, the City's code provides that almost all businesses must file for 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 for 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 proposed Ordinance presented to Council this evening provides businesses with \$2,000 or less in gross sales and whose businesses are not located in the City do not have to file for a business license.

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.

POLICY & FISCAL IMPACTS

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.

Fiscal Impact

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

OPTIONS

1. Adopt the Ordinance amending Bellevue City Code section (BCC) 4.03.025, as previously amended, to add a threshold exemption for business registration/license requirements as required by State legislation creating a model municipal business license ordinance.

2. Do not adopt the Ordinance and provide alternative direction to staff. Failure to adopt the model ordinance language by January 1, 2019 will result in the City being unable to 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.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Model ordinance language
 - B. Ordinance - Redlined
- Proposed Ordinance No. 6432

AVAILABLE IN COUNCIL LIBRARY

N/A