

CITY COUNCIL REGULAR SESSION

Ordinance amending the Bellevue City Code (BCC) Section 4.09.077 – to adopt the mandatory updates to the Business and Occupation tax Model Ordinance in RCW 35.102.130 Allocation and Apportionment of Income.

Toni Call, Director 452-7863

Jamie Robinson, Assistant Director 452-6843

Troy Lucas, Tax Division Manager 452-4358

Finance Department

Nicholas Melissinos, Deputy City Attorney 452-2033

City Attorney's Office

EXECUTIVE SUMMARY

As directed by Council on November 12, this Ordinance amends Bellevue City Code Section 4.09.077, to align with the mandatory updates in RCW 35.102.130 Allocation and Apportionment of Income. State law requires all cities that administer a local Business and Occupation tax 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, 2020.

RECOMMENDATION

Move to adopt Ordinance No. 6487

If adopted, effective date: 12/21/2019

BACKGROUND/ANALYSIS

On November 12 during Council Study Session, staff presented the required changes to the City's Business and Occupation (B&O) tax provisions, summarized below. Council directed staff to return with the Ordinance implementing the changes. This Ordinance also has minor housekeeping changes that further align the code with the model ordinance.

In 2017, in response to concerns expressed by the business community regarding the difficulty of complying with certain rules to determine the calculation of local B&O tax, the State Legislature directed cities to work with the business community to recommend changes to the model ordinance to simplify the administration of municipal B&O service tax apportionment.

The newly enacted law simplifies the administration of municipal B&O service tax apportionment by:

- Simplifying the rules on how a business will determine customer location,
- Changing the formula for reporting service income when a business generates income in more than one city, and
- Establishing a process for businesses to request a change in calculation when the statutory method does not fairly represent the extent of the business activity in the city.

All cities with a local B&O tax have until January 1, 2020 to update the local B&O model ordinance with the mandatory changes to apportionment of service income and incorporate the changes in their local B&O ordinances.

POLICY & FISCAL IMPACTS

Policy Impact

RCW 35.102.040(2) – A city that imposes a Business and Occupation tax must adopt the mandatory provisions of the model ordinance

Cities that impose a general Business and Occupation tax must adopt the mandatory provisions of the model ordinance as provided in RCW 35.102.130 by January 1, 2020.

Fiscal Impact

The fiscal impact from adoption of the new model ordinance is estimated to have a minimal impact to revenue.

OPTIONS

1. Adopt the Ordinance amending the Bellevue City Code (BCC) Section 4.09.077 – to adopt the mandatory updates to the Business and Occupation tax Model Ordinance in RCW 35.102.130 Allocation and Apportionment of Income.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Ordinance No. 6487

AVAILABLE IN COUNCIL LIBRARY

N/A