

**AN ORDINANCE OF THE CITY OF OLYMPIA, WASHINGTON, AMENDING
SECTION 5.02.040 OF THE OLYMPIA MUNICIPAL CODE RELATING TO BUSINESS
TAXES, LICENSES AND REGULATIONS**

WHEREAS, in the 2017 legislative session, EHB 2005 (RCW 35.90) passed requiring cities with business licenses and local B&O taxes to make changes to business licensing, including requiring cities with business licenses (Business License Cities) to establish a workgroup to create a model business license threshold for adoption by all Business License Cities by January 1, 2019; and

WHEREAS, the 2018 model included a mandatory definition of “engaging in business” and a \$2,000 minimum threshold (or occasional sale) exemption to establish when out-of-town or transient businesses are required to pay the license fee; and

WHEREAS, in 2024, the model minimum threshold exemption was reviewed and updated by a work group of cities; and

WHEREAS, the new model minimum threshold has been increased from \$2,000 to \$4,000; the rates of inflation will be calculated using the Consumer Price Index-U (CPI-U) Western for June of each year compared to the previous year for the previous four years; the rate of inflation will be calculated as zero in any year in which inflation is negative and capped at 5% per year or 20% over four years if inflation exceeds those amounts; and the cumulative inflation amount will be rounded to the nearest \$100; and

WHEREAS, the Business License Cities must adopt the updated threshold and accompanying amendments by January 1, 2026; and

WHEREAS, the City Council determines it to be in the best interest of the City of Olympia and its residents to adopt the updated model minimum threshold for out-of-town or transient businesses and related amendments, to be effective January 1, 2026;

NOW, THEREFORE, THE OLYMPIA CITY COUNCIL ORDAINS AS FOLLOWS:

Section 1. Amendment of OMC 5.02.040. Olympia Municipal Code Section 5.02.040, is hereby amended to read as follows:

5.02.040 Exemptions

A. Nonprofit organizations recognized by the State of Washington and Federal Government (e.g., 501(c)(3)) are exempted from any fees in this Chapter. However, they are not exempted from registering with the City of Olympia.

B. For the purposes of this Chapter, any person or business whose 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~~\$4,000 shall still obtain a business license according to OMC 5.02.005. The ~~\$2,000~~\$4,000 threshold does not apply to regulatory license requirements or activities that require a specialized permit. Businesses who meet the criteria described above are exempt from any City of Olympia license fees described in this Chapter.

Beginning January 1, 2026, the threshold amount is \$4,000. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index (“CPI”) for “West Urban, All Urban Consumers” (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-

eight month) CPI increase using each 12-month period ending on June 30 of each prior year and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight month period, a zero (0) percent increase will be used in computing the annual basis.

Section 2. Corrections. The City Clerk and codifiers of this Ordinance are authorized to make necessary corrections to this Ordinance, including the correction of scrivener/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. Severability. If any provision of this Ordinance or its application to any person or circumstance is held invalid, the remainder of the Ordinance or application of the provisions to other persons or circumstances shall remain unaffected.

Section 4. Ratification. Any act consistent with the authority and prior to the effective date of this Ordinance is hereby ratified and affirmed.

Section 5. Effective Date. This Ordinance shall take effect after passage and publication, as provided by law, on October 1, 2025.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

Mark Barber
CITY ATTORNEY

PASSED:

APPROVED:

PUBLISHED