



Finance Committee

Review State Mandated Changes to the Model Business and Occupation Tax Ordinance

Agenda Date: 11/20/2019
Agenda Item Number: 6.A
File Number: 19-1073

Type: recommendation **Version:** 1 **Status:** Filed

Title

Review State Mandated Changes to the Model Business and Occupation Tax Ordinance

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Review the State mandated changes to the Model Business and Occupation Tax Ordinance and forward recommendation to City Council for approval.

Report

Issue:

Whether to recommend the State mandated changes to the Model Business and Occupation Tax Ordinance to City Council approval.

Staff Contact:

Thomas Donnelly, Fiscal Services Accounting Manager, Administrative Services, 360.570.3816

Presenter(s):

Thomas Donnelly, Fiscal Services Accounting Manager, Administrative Services

Background and Analysis:

A task force of Business and Occupation (B&O) cities, business community representatives and the Association of Washington Cities developed recommendations for the legislature at the beginning of the 2019 legislative session for the purposes of clarifying definitions within existing local laws and extending the period of time for annual filings. These recommendations were incorporated into House Bills 1403 and 1059.

House Bill 1403 amends the apportionment rule simplifying the calculation clarifying definitions related to business and occupation taxes. House Bill 1059 changes the annual filing deadline for taxpayers who file annual returns. Both House Bills passed and were signed into legislation. The bills require all cities with a B&O Tax ordinance to adopt the following changes and put them into effective January 1, 2020:

1. Effective January 1, 2020 - Change the service income apportionment method used for calculating business and occupation tax; and
2. Effective January 1, 2021 - Change the due date for annual tax filers from January 31 - April 15.

Neighborhood/Community Interests

Once approved by City Council, Staff will communicate these changes on the B&O Tax filing forms and update the City's website. Additional notification from the State's business licensing service will be provided when applying for or renewing a business license.

Options:

1. Review changes to the City's B&O Tax Ordinance to comply with recently passed State legislation and forward recommended changes to the City Council.
2. Direct staff to perform additional analysis and reschedule for further discussion.
3. Direct staff to modify with recommended changes and forward to City Council for approval as amended which may put the City out of compliance with the recently enacted State legislation.

Financial Impact:

Unable to determine at this time. Fiscal Services will report after year one and year two as to any financial impacts relating new legislation.

Attachments:

Proposed Ordinance
Model Apportionment Rule for Taxpayer Use