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City Council

Approval of an Ordinance Adopting Business License Threshold Language and Changes to the “Engaging in Business” Definition

Agenda Date: 9/18/2018
Agenda Item Number: 4.G
File Number: 18-0844

Type: ordinance **Version:** 2 **Status:** Passed

Title

Approval of an Ordinance Adopting Business License Threshold Language and Changes to the “Engaging in Business” Definition

Recommended Action

Committee Recommendation:

Approve the Finance Committee recommendation to adopt the Business License Threshold language and the changes to “engaging in business” definition.

City Manager Recommendation:

Move to approve the Finance Committee recommendation adopting Business License Threshold language and changes to “engaging in business” definition.

Report

Issue:

Whether to approve the Business License Threshold Language and the changes to “engaging in business” definition.

Staff Contact:

Thomas Donnelly, Accounting Supervisor, Administrative Services 360.570.3816

Presenter(s):

None - Consent Calendar Item

Background and Analysis:

Background and analysis has not changed from first to second reading.

In 2017, the Washington State Legislature passed House Bill 2005. In August 2017, a workgroup of municipal employees, business community representatives, and the Association of Washington Cities began developing standard language for the business license model threshold, which includes a \$2,000 minimum threshold for businesses not physically located within the City. The threshold allows a business to register, or renew, without having to pay a \$30 business license fee. Currently, all who engage in business in the City of Olympia are required to pay the \$30 business license fee. The

threshold only applies to general business licenses, not regulatory licenses. Additionally, the workgroup modified the definition of “engaging in business” to replace the current definition found in the “Model Business and Occupation Tax Ordinance,” which forms the basis for the City of Olympia’s business and occupation tax ordinance found in Title 5, Chapter 5.04 of the Olympia Municipal Code. The workgroup completed the model language on July 1, 2018.

On April 26, 2018, staff presented information to the Finance Committee on the new Business License threshold requirements recommending the threshold apply to all businesses. An estimated 1,477 businesses will qualify for the ‘no fee’ business license resulting in a reduction of \$44,310 business license fees.

It is required that these changes be adopted by January 1, 2019. The City of Olympia utilizes the Department of Revenue’s Business Licensing Service, which requires a 75-day notice to implement the new “no-fee” option; therefore, the changes must be adopted on or before October 17, 2018.

Neighborhood/Community Interests (if known):

Staff will update the information posted on the City’s website. The Department of Revenue is also updating their informational materials.

Options:

1. Move to approve the ordinance adopting the Business License Threshold language of \$2,000 and the changes to “engaging in business” definition.
2. Do not move to approve the ordinance adopting the Business License Threshold language of \$2,000 and the changes to “engaging in business” definition.
3. Council to provide alternate direction.

Financial Impact:

Estimated reduction in business license fees of \$44,310.

Attachments:

Ordinance