

# SENATE BILL REPORT

## SB 5471

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As of February 22, 2007

**Title:** An act relating to limiting the power of cities and towns to license businesses.

**Brief Description:** Limiting the power of cities and towns to license businesses.

**Sponsors:** Senators Stevens, Hargrove, Hobbs, Clements, Sheldon, Pridemore, Kilmer, Rasmussen, Rockefeller, Swecker, Roach and Benton.

**Brief History:**

**Committee Activity:** Government Operations & Elections: 2/20/07.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Staff:** Amy Van Horn (786-7784)

**Background:** Cities and towns have many powers. For example, cities and towns may provide for general and special elections; levy and collect taxes; establish and maintain roadways; acquire and provide lands for public parks; regulate streets, traffic, and sidewalks; license vehicles; and regulate and license businesses. For purposes of revenue and regulation, cities and towns may require businesses that operate in the city or town to purchase a business license.

**Summary of Bill:** Cities and towns are prohibited from requiring business licenses for businesses which operate in the city or town but are not physically located in the city or town.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill is targeted at small companies who do a few small jobs outside of their own town. They might do one small job in one town, and then make a delivery to another, and they need to purchase a separate business license in every town in which they make a sale. This is a huge burden on small businesses and small farms. For example, if one sells produce to markets in Olympia, Lacey, and Tumwater, one has to comply with three separate licensing requirements. Small farmers will make a delivery at a small grocery store, and a city employee will write down their number, call them up, and

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politely let them know they need a business license. This is a fairness issue as well, because visible businesses are always targeted. Internet businesses don't get targeted.

Operating in many jurisdictions, a business has to keep track of not just licenses, but also paying the right taxes and reporting the right information in many separate jurisdictions. It takes a lot of time to just figure out how to operate legally. It's a problem especially during an emergency, such as a one-time delivery during a flood. No one wants to do business illegally, but in a tense time it's hard to find out how to meet all of a jurisdiction's requirements.

The fiscal note for this bill is shockingly excessive. The bill will be amended to allow cities and towns to tax out-of-town businesses.

CON: Allowing taxation would reduce the fiscal note on this bill, but another impact that is at least as important as the fiscal impact is the impact on regulation. Cities regulate businesses through licensing. Through licenses, cities track taxes, and track who is doing what inside the city; for example, who is selling fireworks, or which contractors are building. Cities like to make sure that contractors have their building permits and licenses for public safety.

City business licenses average \$30. Twenty to 66 percent of businesses who buy licenses are located outside of a town; on average, that's about 50 percent of licenses per city. It would mean a loss of \$600,000 to 800,000 annually in Tacoma. We understand the goal of the sponsor, but this is not the way to get at it. This proposed legislation has too many consequences, both fiscally and in terms of cities' ability to regulate businesses. The legislation was also drafted incorrectly; it leaves out code cities.

**Persons Testifying:** PRO: Senator Stevens, prime sponsor; Gordon Buchan, GVA Kidder Mathews; Carolyn Logue, National Federation of Independent Business; Dean Hartman, Capital Business Machines; Dean Eklund, Lew Rents; Patrick Connor, Washington Farm Bureau.

CON: Jim Justin, Association of Washington Cities; Randall Lewis, City of Tacoma.