

EHB 2959 - S COMM AMD

By Committee on Trade & Economic Development

ADOPTED AND ENGROSSED 3/4/2016

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that over forty
4 cities currently impose local business and occupation taxes and that
5 approximately two hundred twelve cities require a business license.
6 The legislature further finds that, unlike sales and use taxes and
7 property taxes, the state has had little involvement in the
8 administration of local business taxes. The legislature further finds
9 that the business community has expressed concerns for decades with
10 respect to local tax compliance and licensing obligations in numerous
11 cities, which often tax and license similar transactions very
12 differently. This lack of local uniformity, in conjunction with any
13 lack of centralized administration, has created confusion and an
14 undue burden on Washington businesses, especially smaller businesses
15 that lack the financial wherewithal to seek sophisticated tax and
16 licensing assistance.

17 (2) The legislature further finds that over the past fifteen
18 years, the state and cities have made the following substantial
19 inroads with respect to bringing uniformity to local business and
20 occupation tax provisions and streamlining the collection of both
21 local taxes and business licenses:

22 (a) In 2003, the legislature enacted Engrossed House Bill No.
23 2030 that provided for a more uniform system of municipal business
24 and occupation taxes. It required the cities, working through the
25 association of Washington cities, to form a committee to adopt a
26 model ordinance for municipal business and occupation taxes.
27 Engrossed House Bill No. 2030, through the model ordinance,
28 establishes uniform local definitions, tax classifications, and
29 apportionment methodology.

30 (b) In 1977, the legislature created a master license service to
31 streamline business licensing and renewal. The program transferred to
32 the department of revenue on July 1, 2011. The master license service

1 was renamed to the business licensing service to better reflect the
2 program's purpose: The business licensing service is the
3 clearinghouse for business licensing, offering more than two hundred
4 endorsements from ten state agency partners, and issuing local
5 business licenses on behalf of approximately seventy cities, with
6 more cities joining every year. Agency programs and municipalities
7 retain full regulatory control over their registration and compliance
8 requirements.

9 (c) In 2010, the governor signed Executive Order No. 10-05 -
10 improving the way state government serves small business. The order
11 outlined priorities to make it easier to do business in Washington
12 state. In the executive order, the department was specifically
13 charged with exploring, evaluating, and recommending tax
14 simplification solutions as a way to assist small businesses, draw
15 businesses to the state, and keep Washington competitive. The order
16 called for a business process with findings and recommendations due
17 to the governor by June 30, 2011. Based on extensive feedback from
18 small businesses, there was consensus that the top priority to
19 simplify their tax burden is to have a single way to file taxes
20 across the state. To meet this need, the department of revenue
21 recommended centralizing administration of state and local business
22 and occupation tax reporting, as is done with sales tax reporting
23 today. In addition, the department recommended continued work to
24 address feedback on administrative processes and ongoing efforts to
25 look at integration of state systems, working towards a goal of a
26 single business portal for small businesses to use to interact with
27 the state. As part of the feedback provided to the department of
28 revenue, local governments pointed out the following benefits of
29 centralized administration, if it was revenue neutral and retained
30 local flexibility regarding local tax rates, exemptions, deductions,
31 and credits:

- 32 (i) Reduce cities' administrative costs;
- 33 (ii) Allow cities that cannot afford administration to have the
34 option of enacting a local business and occupation tax;
- 35 (iii) Increase statewide economic data;
- 36 (iv) Reduce cities' employee workloads;
- 37 (v) Potentially increase enforcement and broaden compliance;
- 38 (vi) Eliminate redundant processes; and
- 39 (vii) Provide an opportunity for state and local government to
40 look at tax structure, reporting, etc., holistically.

1 (d) The cities of Seattle, Tacoma, Bellevue, and Everett have
2 been working together since 2010 to simplify the process of local
3 business licensing and business and occupation tax filing. In 2014,
4 these cities signed an interlocal agreement to establish a "one-stop"
5 system for tax payment and business license application filing to
6 make it easier and more efficient for businesses to apply for local
7 business licenses and file local taxes, while the cities retain local
8 control over local licensing and tax collection functions and
9 policies. This joint effort to create an internet web application
10 gateway where tax collection and business licensing functions can be
11 collectively administered, and where businesses operating in multiple
12 cities can use a one-stop system for tax payment or local business
13 license application filing, began operations in 2016 and is known as
14 FileLocal.

15 (3) The legislature finds that despite the significant
16 improvements to local business tax and licensing administration over
17 the past fifteen years legislative action is still required. The
18 legislature directs the state, cities, towns, and identified business
19 associations to partner in developing options for centralized and
20 simplified administration of local business and occupation taxes and
21 business licensing, and in particular to evaluate the following:

22 (a) Options to coordinate administration of local business and
23 occupation taxes;

24 (b) Options for centralized administration of local business and
25 occupation taxes for those cities and towns that desire to
26 participate in a state-provided alternative;

27 (c) Options for all cities and towns to partner with the state
28 business licensing service; and

29 (d) Implementing data sharing and establishing a seamless state
30 and local user interface for those cities and towns participating in
31 FileLocal.

32 (4) By January 1, 2017, the task force established in subsection
33 (5) of this section must prepare a report to the legislature with the
34 following:

35 (a) Additional or alternative options to improve the
36 administration of local business tax and licensing that are not
37 described in subsection (3) of this section;

38 (b) An examination of the differences in apportionment and nexus
39 between state and local business and occupation taxes, and how these
40 differences affect taxpayers and cities; and

1 (c) Recommendations that address the issues described in
2 subsection (3) of this section.

3 (5)(a) A task force for local business tax and licensing
4 simplification is established. The task force must consist of the
5 following nine members:

6 (i) Two representatives of the association of Washington
7 business;

8 (ii) One representative of the national federation of independent
9 business;

10 (iii) One representative of the association of Washington cities;

11 (iv) One representative from a Washington city or town that
12 imposes a local business and occupation tax and has a population
13 greater than one hundred thousand persons using the most recent
14 official population estimate determined under RCW 43.62.030 prior to
15 the effective date of this section;

16 (v) One representative from a Washington city or town that
17 imposes a business and occupation tax and has a population of less
18 than one hundred thousand persons using the most recent official
19 population estimate determined under RCW 43.62.030 prior to the
20 effective date of this section;

21 (vi) One representative from FileLocal who is not otherwise
22 included on the task force under (a)(iv) or (v) of this subsection
23 (5);

24 (vii) One representative from the Washington retail association;
25 and

26 (viii) One representative from the department of revenue.

27 (b) The task force may seek input or collaborate with any other
28 parties it deems necessary. The department must serve as the task
29 force chair and must staff the task force.

30 (c) Beginning in the first month following the effective date of
31 this section, the task force must meet no less than once per month
32 until it reports to the legislature as provided under subsection (4)
33 of this section.

34 (d) The task force should focus on options that provide the
35 greatest benefit to taxpayers. From these options, the task force
36 must produce the report described in subsection (4) of this section.
37 The report must be adopted and approved by a majority of the members
38 of the task force, and the report must include a minority report if
39 the task force does not reach consensus. If a member or a group to be
40 represented in the task force does not participate in the task force

1 or the task force's voting, the task force must adopt and approve the
2 report described in subsection (4) of this section by a majority of
3 those representatives participating.

4 (e) The task force terminates February 1, 2017, unless
5 legislation is enacted to extend such termination date."

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6 On page 1, line 2 of the title, after "simplification;" strike
7 the remainder of the title and insert "and creating a new section."

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