
ENGROSSED HOUSE BILL 2959

State of Washington 64th Legislature 2016 Regular Session

By Representatives Lytton, Nealey, and Ormsby

Read first time 02/01/16. Referred to Committee on Finance.

1 AN ACT Relating to local business tax and licensing
2 simplification; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

18 (2) The legislature further finds that over the past fifteen
19 years, the state and cities have made the following substantial
20 inroads with respect to bringing uniformity to local business and

1 occupation tax provisions and streamlining the collection of both
2 local taxes and business licenses:

3 (a) In 2003, the legislature enacted Engrossed House Bill No.
4 2030 that provided for a more uniform system of municipal business
5 and occupation taxes. It required the cities, working through the
6 association of Washington cities, to form a committee to adopt a
7 model ordinance for municipal business and occupation taxes.
8 Engrossed House Bill No. 2030, through the model ordinance,
9 establishes uniform local definitions, tax classifications, and
10 apportionment methodology.

11 (b) In 1977, the legislature created a master license service to
12 streamline business licensing and renewal. The program transferred to
13 the department of revenue on July 1, 2011. The master license service
14 was renamed to the business licensing service to better reflect the
15 program's purpose: The business licensing service is the
16 clearinghouse for business licensing, offering more than two hundred
17 endorsements from ten state agency partners, and issuing local
18 business licenses on behalf of approximately seventy cities, with
19 more cities joining every year. Agency programs and municipalities
20 retain full regulatory control over their registration and compliance
21 requirements.

22 (c) In 2010, the governor signed Executive Order No. 10-05 -
23 improving the way state government serves small business. The order
24 outlined priorities to make it easier to do business in Washington
25 state. In the executive order, the department was specifically
26 charged with exploring, evaluating, and recommending tax
27 simplification solutions as a way to assist small businesses, draw
28 businesses to the state, and keep Washington competitive. The order
29 called for a business process with findings and recommendations due
30 to the governor by June 30, 2011. Based on extensive feedback from
31 small businesses, there was consensus that the top priority to
32 simplify their tax burden is to have a single way to file taxes
33 across the state. To meet this need, the department of revenue
34 recommended centralizing administration of state and local business
35 and occupation tax reporting, as is done with sales tax reporting
36 today. In addition, the department recommended continued work to
37 address feedback on administrative processes and ongoing efforts to
38 look at integration of state systems, working towards a goal of a
39 single business portal for small businesses to use to interact with
40 the state. As part of the feedback provided to the department of

1 revenue, local governments pointed out the following benefits of
2 centralized administration, if it was revenue neutral and retained
3 local flexibility regarding local tax rates, exemptions, deductions,
4 and credits:

5 (i) Reduce cities' administrative costs;

6 (ii) Allow cities that cannot afford administration to have the
7 option of enacting a local business and occupation tax;

8 (iii) Increase statewide economic data;

9 (iv) Reduce cities' employee workloads;

10 (v) Potentially increase enforcement and broaden compliance;

11 (vi) Eliminate redundant processes; and

12 (vii) Provide an opportunity for state and local government to
13 look at tax structure, reporting, etc., holistically.

14 (d) The cities of Seattle, Tacoma, Bellevue, and Everett have
15 been working together since 2010 to simplify the process of local
16 business licensing and business and occupation tax filing. In 2014,
17 these cities signed an interlocal agreement to establish a "one-stop"
18 system for tax payment and business license application filing to
19 make it easier and more efficient for businesses to apply for local
20 business licenses and file local taxes, while the cities retain local
21 control over local licensing and tax collection functions and
22 policies. This joint effort to create an internet web application
23 gateway where tax collection and business licensing functions can be
24 collectively administered, and where businesses operating in multiple
25 cities can use a one-stop system for tax payment or local business
26 license application filing, began operations in 2016 and is known as
27 FileLocal.

28 (3) The legislature finds that despite the significant
29 improvements to local business tax and licensing administration over
30 the past fifteen years legislative action is still required. The
31 legislature directs the state, cities, towns, and identified business
32 associations to partner in developing options for centralized and
33 simplified administration of local business and occupation taxes and
34 business licensing, and in particular to evaluate the following:

35 (a) Options to coordinate administration of local business and
36 occupation taxes;

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

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

3 (d) Implementing data sharing and establishing a seamless state
4 and local user interface for those cities and towns participating in
5 FileLocal.

6 (4)(a) By January 1, 2017, the task force established in
7 subsection (5) of this section must prepare legislation for
8 introduction in 2017 that addresses the issues described in
9 subsection (3) of this section.

10 (b) In conjunction with the legislation prepared by the task
11 force under (a) of this subsection (4), the task force must also
12 provide a report to the legislature by January 1, 2017, with the
13 following:

14 (i) Additional or alternative options to improve the
15 administration of local business tax and licensing that are not
16 described in subsection (3) of this section; and

17 (ii) An examination of the differences in apportionment and nexus
18 between state and local business and occupation taxes, and how these
19 differences affect taxpayers and cities.

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

23 (i) Two representatives of the association of Washington
24 business;

25 (ii) One representative of the national federation of independent
26 business;

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

28 (iv) Two representatives from Washington cities or towns that
29 impose a local business and occupation tax and have a population
30 greater than one hundred thousand persons using the most recent
31 official population estimate determined under RCW 43.62.030 prior to
32 the effective date of this section;

33 (v) Two representatives from Washington cities or towns that
34 impose a business and occupation tax and have a population of less
35 than one hundred thousand persons using the most recent official
36 population estimate determined under RCW 43.62.030 prior to the
37 effective date of this act; and

38 (vi) One representative from the department of revenue.

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

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

8 (d) The task force should focus on options that provide the
9 greatest benefit to taxpayers. From these options, the task force
10 must produce the report and legislation described in subsection (4)
11 of this section. The legislation and report must be adopted and
12 approved by a majority of the members of the task force, and the
13 report must include a minority report if the task force does not
14 reach consensus. If a member or a group to be represented in the task
15 force does not participate in the task force or the task force's
16 voting, the task force must adopt and approve the legislation and
17 report described in subsection (4) of this section by a majority of
18 those representatives participating.

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

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