

HOUSE BILL REPORT

HB 2840

As Reported by House Committee On: Finance

Title: An act relating to providing additional funding for the business licensing service program administered by the department of revenue.

Brief Description: Providing additional funding for the business licensing service program administered by the department of revenue.

Sponsors: Representatives Springer and Frame; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/6/20, 2/7/20 [DPS].

Brief Summary of Substitute Bill

- Modifies the maximum rate for certain handling fees related to business licenses that the Department of Revenue (DOR) must set by rule.
- Requires the DOR to annually review the balance of the business license account and decrease at least one handling fee should the balance exceed \$1 million.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Vick and Wylie.

Minority Report: Do not pass. Signed by 2 members: Representatives Young, Assistant Ranking Minority Member; Stokesbary.

Staff: Nick Tucker (786-7383).

Background:

State Business Registration.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All businesses in the state are required to register with the Department of Revenue (DOR) and obtain a registration certificate, unless otherwise exempt. A taxpayer is exempt from the registration requirement if:

1. their gross receipts subject to the business and occupation tax or the public utility tax is less than \$12,000 per year;
2. they do not owe other taxes or fees to the DOR; and
3. they are not otherwise required to obtain a business license.

Business Licensing System and Handling Fees.

The DOR maintains a portal to the state's business licensing program, referred to as the Business Licensing Service (BLS). The BLS is the state clearinghouse for business licensing. The system allows a business customer to file a business license application, file an annual renewal, check on the status of a business account, view and pay any outstanding fees, and update account information.

The DOR is authorized to set the rate of any handling fees associated with the BLS by rule. The fees set by the DOR may not exceed \$19 for each business license application or \$11 for each renewal. The DOR is authorized to increase the rate of any handling fee to make improvements to the BLS.

Summary of Substitute Bill:

The maximum rate of handling fees associated with the BLS are as follows:

- \$90 for each business license application to open or reopen a business;
- \$10 for each business license renewal;
- \$19 for an application made for any other purpose; and
- no fee for opening an additional location or obtaining a nonresident city endorsement.

Beginning September 30, 2023, and annually thereafter, the DOR must review the business license account balance at the end of the previous fiscal year. Should the balance exceed \$1 million or if the DOR estimates that the balance will exceed \$1 million by the end of the current fiscal year, the DOR must reduce at least one of the handling fees.

Substitute Bill Compared to Original Bill:

The maximum handling fee that may be charge for a business license application to open or reopen a business is increased to \$90 from \$85.

The substitute bill removes the fee for opening an additional location or obtaining a non-resident city endorsement instead of a \$19 fee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony:

(In support) The fee structure will be easier to administer, easier to pay, and more predictable in terms of what the cost of business in the state actually is.

The bill is reducing the fee in one case and capping it at another. The increase is long overdue, but an increase over a two-year period would have been preferred.

Existing businesses have paid a slight premium since the last increase went into effect in 2013 to help pay for the new system. New businesses have not contributed to the system and that is one of the reasons why there is more burden on new businesses in the fee structure.

The DOR will have to review periodically to determine whether the account is sufficient and again lower the fees in the future rather than just simply building that account up, so it should be fairly business friendly.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; Tommy Gantz, Association of Washington Business; Dean Carlson, Department of Revenue; and Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: None.