

HOUSE BILL REPORT

SSB 6632

As Passed House:
March 7, 2020

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: Senate Committee on Ways & Means (originally sponsored by Senator Takko; by request of Department of Revenue).

Brief History:

Committee Activity:

Finance: 2/25/20, 2/27/20, 3/2/20 [DP].

Floor Activity:

Passed House: 3/7/20, 80-17.

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: 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).

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.

Background:

State Business Registration.

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 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2020.

Staff Summary of Public Testimony:

(In support) This bill will ensure that the fees charged for business license transactions are adequate, but do not exceed the needs for maintenance and support of the system. This fee increase is long overdue. The bill provides a common sense fix for the BLS and has been vetted by many stakeholders. It is appreciated that there is a provision in the bill requiring

the DOR to lower at least one fee if the account balance for business licensing exceeds \$1 million.

(Opposed) None.

Persons Testifying: Senator Takko, prime sponsor; Dean Carlson, Department of Revenue; Tommy Gantz, Association of Washington Business; and Mark Johnson, Washington Retail Association.

Persons Signed In To Testify But Not Testifying: None.