

# SENATE BILL REPORT

## HB 2749

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As of February 29, 2020

**Title:** An act relating to authorizing an extension of time for certain cities to decline to partner with the department of revenue for the issuance or renewal of general business licenses.

**Brief Description:** Authorizing an extension of time for certain cities to decline to partner with the department of revenue for the issuance or renewal of general business licenses.

**Sponsors:** Representatives Orwall, Gregerson, Entenman and Sullivan.

**Brief History:** Passed House: 2/19/20, 98-0.

**Committee Activity:** Ways & Means: 2/28/20.

### Brief Summary of Bill

- Extends the deadline for certain cities to decline partnering with the Department of Revenue for issuance and renewal of general business licenses through the Business Licensing Service from July 1, 2020 to July 1, 2021.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** City Business Licensing. Approximately 230 of Washington's 281 cities require a business license for any business conducting business activities within the city. Fees associated with business licenses vary from flat rate charges to fees based on factors including employee count, square footage occupied, or business type.

FileLocal. In 2014, the cities of Seattle, Tacoma, Bellevue, and Everett signed an interlocal agreement to establish a system for tax payment and business license application filing called FileLocal. The system provides for the administration of tax collection and business licensing functions, and allows businesses operating in multiple cities to use a single system for tax payment or local business license application filing. The project became operational in 2016.

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*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.*

Business Licensing Service. The Business Licensing Service (BLS) is the state's business licensing system for business license registration, renewals, and other related services. The program is operated by the Department of Revenue (DOR) and facilitates issuing business licenses on behalf of nine state agencies and 115 cities and towns.

Legislation enacted in 2017 requires all cities with a general business license requirement to partner with DOR to have such licenses issued and renewed through the BLS by December 31, 2022. A city may decline to partner with DOR to use the BLS if the city participates in FileLocal as of July 1, 2020.

By January 1st of every even-numbered year, DOR is required to submit a biennial plan for partnering with cities for issuance and renewal of general business licenses to the Governor, relevant legislative committees, and certain associations and federations.

Streamlined Sales and Use Tax Agreement and Mitigation Payments. Legislation was enacted in 2007 fully adopting the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA includes provisions for determining where a sale is deemed to occur for local sales and use tax purposes. As part of the legislation, the Streamlined Sales and Use Tax Mitigation Account was created to mitigate the effect of the change in sourcing rules to negatively impacted local jurisdictions. Each July 1st, the state treasurer must transfer an amount determined by DOR to fully mitigate negatively impacted local jurisdictions. DOR determines each local jurisdiction's annual losses. Distributions are made quarterly representing one-fourth of a jurisdiction's annual loss, less voluntary compliance revenue from the previous quarter.

In 2017, the Legislature repealed local mitigation payments, effective October 1, 2019. Payments until that time were adjusted to reflect the impact of marketplace fairness on local tax revenues and will be made only to cities, counties, and public facilities districts. In 2019, the Legislature reinstated mitigation payments through June 30, 2021 to cities eligible to receive more than \$50,000 in mitigation payments.

**Summary of Bill:** The deadline to decline partnership with DOR for issuance and renewal of general business licenses through the BLS, by instead opting to participate in FileLocal, is extended one year to July 1, 2021 for a city receiving at least \$1.95 million in fiscal year 2020 in temporary streamlined sales tax mitigation payments.

The requirement for DOR to prepare and submit a biennial partnership plan is active only until DOR has partnered with all cities imposing a general business license and have not otherwise declined to partner with DOR.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: This bill provides the City of Kent with an additional year to join FileLocal. The bill has no impact on the state budget. The City of Kent evaluated whether to join the state's licensing system or FileLocal and decided to join FileLocal because it will eventually allow for the administration of both the city's business licenses and its local business and occupation tax in one system. Extension of the deadline is necessary because the city's current system is older and unable to integrate with FileLocal until 2021.

**Persons Testifying:** PRO: Paula Painter, Finance Director, City of Kent.

**Persons Signed In To Testify But Not Testifying:** No one.