

SENATE BILL REPORT

SB 5897

As Passed Senate, February 8, 2024

Title: An act relating to nontax statutes administered by the department of revenue modifying provisions of the business licensing service program concerning fee change notice requirements, the administration of the business license account balance, and the handling fee exemption for the local government nonresident business license endorsement.

Brief Description: Modifying provisions of the business licensing service program.

Sponsors: Senators Mullet and Wilson, L.; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 1/16/24, 2/01/24 [DP].

Floor Activity: Passed Senate: 2/8/24, 47-0.

Brief Summary of Bill

- Modifies various provisions related to the business licensing service program including revising the calculation the Department of Revenue must use when evaluating the business license account balance and adjusting handle fees.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Mullet, Vice Chair, Capital; Nguyen, Vice Chair, Operating; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Pedersen, Randall, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Staff: Alia Kennedy (786-7405)

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

Background: Business Licensing Service. The Department of Revenue (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.

DOR is authorized to set the rate of any handling fees associated with the BLS by rule. DOR may increase the handling fees for defraying costs associated with administration of the BLS including costs for improvements in technology and customer service, expanded access, and infrastructure. The fees set by DOR may not exceed \$90 for new licenses, \$10 for renewal licenses, and \$19 for all other licenses.

DOR must annually review the business license account balance and decrease the business license handling fees if the balance exceeds \$1 million dollars. The most recent review of handling fees occurred in September 2023. Handling fees are currently set in rule at \$50 for new licenses, \$5 for renewals, and \$10 for all other licenses.

In addition to state licensing purposes, a number of cities and counties use the BLS for local business licensing. Cities whose licenses are issued through DOR must provide 75-day notice to BLS when making a change to its general business license, including changing the amount of the city license fee.

One type of endorsement used by cities and counties through the BLS program is the nonresident business endorsement (endorsement). The endorsement is required for businesses that conduct activities inside the city limits of a city for which the business is not licensed. There is no fee for the endorsement.

Summary of Bill: Beginning September 30, 2024, DOR must annually review and adjust business license handling fees if either of these conditions exist:

- the balance of the business license account at the end of the previous fiscal year exceeds an amount equal to the average of three months of expenditures from the previous fiscal year; or
- DOR projects the balance at the end of the current fiscal year will exceed an amount equal to the average of three months of expenditures during the previous fiscal year.

If a local government whose general business license is issued through DOR is making a change that only affects the amount of the fee for the issuance or renewal of the license, the change takes effect no sooner than ten, rather than 75, business days after DOR receives notice of the change.

The name of the local government non-resident endorsement is changed from the "non-resident city endorsement" to the "nonresident business license endorsement."

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: Streamlining the business licensing process will help small businesses. This bill is a recognition of technological advancements that allow DOR to implement changes to business licenses quicker than when it was done manually. The changes in this bill provide better business licensing service to local governments that use the system. Changing the account balance threshold gives the department more flexibility and headroom to operate the fund and creates a more predictable business license fee structure. This bill is good for businesses, cities, and DOR. The online portal allows businesses to access hundreds of licenses issued by cities across the state. As costs to update and maintain the system increase, it only makes sense that the account balance cap is also increased. This is a more fiscally prudent approach to maintaining the necessary account balance.

Persons Testifying: PRO: Mark Johnson, Washington Retail Association; Steve Ewing, Dept. of Revenue; Patrick Connor, NFIB.

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