

# HOUSE BILL REPORT

## HB 2017

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to the master license service program.

**Brief Description:** Transferring the master license service program to the department of revenue.

**Sponsors:** Representative Hunter.

**Brief History:**

**Committee Activity:**

Ways & Means: 3/30/11, 3/31/11 [DPS].

**Brief Summary of Substitute Bill**

- Transfers the administration and all powers, duties, and functions related to the Master License Service program, including the program's dedicated account, from the Department of Licensing to the Department of Revenue.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 26 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

**Minority Report:** Do not pass. Signed by 1 member: Representative Parker.

**Staff:** Michael Bennion (786-7118).

**Background:**

The Department of Licensing (DOL) performs several functions, including providing information to law enforcement, licensing and regulating drivers, registering vehicles and

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vessels, licensing and regulating 30 different professions, and issuing business licenses through the Master License Service (MLS). The Department of Revenue (DOR) is the state's primary tax collection agency. The DOR oversees approximately 60 different taxes.

The MLS program was established in the mid-1970s to serve as a one-stop licensing service for businesses. A "master license" refers to the single document designed for public display issued by a licensing center and certified by the DOL. The master license application may be used to:

- open or reopen a business;
- change ownership of a business;
- open a new business location;
- change business locations;
- register or change a trade name;
- hire employees;
- obtain a Minor Work Permit;
- add licenses to an existing business location;
- obtain optional insurance coverage for the business owner;
- hire people to work in or around your home; or
- apply for a Washington State Unified Business Identifier (UBI) number or tax registration number.

The DOL administers the MLS program and issues over 100 state licenses. In addition, the MLS program may be used to apply for over 200 state endorsements and over 70 city licenses.

The DOL collects a \$15 handling fee for each new master license issued and a \$9 license renewal fee. All receipts must be deposited into the appropriated Master License Account (Account). Expenditures from the Account may be used only to administer the MLS program.

The MLS provisions do not apply to certain regulated business and professional activities, including those regulated under the Consumer Loan Act, credit unions, banks and trust companies, mutual savings banks, savings and loan associations, and those regulated under the insurance statutes.

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### **Summary of Substitute Bill:**

The Master License Service (MLS) program is transferred from the Department of Licensing (DOL) to the Department of Revenue (DOR). All powers, duties, and functions of the DOL pertaining to the administration of the MLS program are transferred and references in statute to the DOL are replaced with the DOR. All funds, credits, or other assets held in connection with the MLS program are assigned to the DOR. Any appropriations made to the DOL for carrying out the MLS program are transferred and credited to the DOR.

All employees of the DOL primarily engaged in the MLS program are transferred to the jurisdiction of the DOR. All employees classified under the state civil service law are

assigned to the DOR to perform their usual duties upon the same terms as formerly, without any loss of rights, subject to any action in accordance with the laws and rules governing state civil service. All classified employees of the DOL assigned to the DOR whose positions are within an existing bargaining unit description at the DOR become a part of the existing bargaining unit at the DOR and are considered an appropriate inclusion or modification of the existing bargaining unit.

All rules and all pending business before the DOL pertaining to the MLS program are continued and acted upon by the DOR. All existing contracts and obligations remain in full force and must be performed by the DOR.

To ensure a seamless transfer of the MLS program and to prevent any disruption of service, the DOR is authorized to contract with the DOL for support. Any contract entered into must be for a duration no longer than necessary to fully and effectively transfer the MLS program from the DOL to the DOR.

The DOR must set the amount of the MLS handling fees by rule. The MLS handling fees may not exceed \$19 for each master application, and \$11 for each renewal application filing. The rule-making process for setting master application and trade name registration fees is made the same as any rule setting fees pursuant to legislative standards. The DOR is authorized to increase handling and renewal fees for the purposes of making improvements in the MLS program. Improvements are identified as technology and customer service, expanded access, and infrastructure.

Definitions for purposes of the Business License Center Act (chapter 19.02 RCW) are modified to include references to local government and "participating local government." The DOR is authorized to issue and renew licenses and registrations for local governments participating in the MLS program.

A single set of rules governing the confidentiality and disclosure of licensing information, similar to the standards applied by the DOR for excise tax information, is provided along with the conditions in which the DOR is not prohibited from disclosing such information. A misdemeanor offense is established for the disclosure of certain confidential licensing information. If the violator is a current state employee or officer, future employment with the state is prohibited for two years.

The criterion for which the DOR may not issue or renew a master license to a person is expanded.

Expenses incurred by the DOL in carrying out licensing and regulatory activities associated with for-hire vehicles and limousines are supported through the Highway Safety Account. In addition, commercial telephone solicitation is added to the list of programs covered by the Business and Professions Account.

The DOR and the Secretary of State may enter into agreements designating the DOR as the Secretary of State's agent for issuing legal entity renewals.

The DOR is provided the authority to issue a warrant, the amount of which may become a lien upon the title to real and personal property, and compute interest for any unpaid registration assessments and delinquency fees related to manufactured or mobile home communities. This acts to replace the DOL's authority to send delinquent accounts to a collection agency and to sue landlords deemed noncompliant.

Any person feeling aggrieved by actions against them by the DOR is allowed the opportunity to request a review of the DOR's action held as a brief adjudicative proceeding.

**Substitute Bill Compared to Original Bill:**

The substitute bill makes the following changes:

- Underground storage tank licensing, trade name registration, and manufactured or mobile home community registrations are identified and included in the list of programs for which powers, duties, and functions pertaining to their administration are transferred from the Department of Licensing (DOL) to the Department of Revenue (DOR).
- The DOR is authorized to: (1) administer corporate legal entity renewals; and (2) set handling fees on master application licenses and renewals up to a maximum amount for specific purposes.
- The DOR is also provided with additional enforcement mechanisms to handle noncompliant and delinquent accounts.
- Provisions excluding limousine carrier and whitewater river outfitter licenses from being processed through the Master License Service program are removed, and all other licensing fees related to both commercial telephone solicitation and whitewater river outfitter licenses are deposited into the DOL's Business and Professions Account.
- Matters of confidentiality and the disclosure of licensing information, including when information may be disclosed and the penalty for unauthorized disclosure by state workers, are addressed.
- The Highway Safety Account is identified as the source of funding for expenses incurred in licensing and regulating for-hire vehicles and limousines.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect July 1, 2011.

**Staff Summary of Public Testimony:**

(In support) The Master License Service (MLS) program has been a pioneering solution for business licensing for over 30 years, and the Department of Licensing (DOL) has achieved many of the goals stated in the program's initiating legislation. However, there are several strategic advantages to transferring the MLS to the Department of Revenue (DOR). First, the

DOR has a strong relationship with business associations and local governments and can therefore align business licensing processes with the existing systems at the DOR. Next, the DOR has a different cost structure than the DOL has used in the MLS program to date and part of the transfer process allows for resources to be used in a different way than traditionally. In addition, the DOR is well positioned to advance the modernization and strategic expansion of the MLS system needed for the future and has a history of implementing large scale innovations that increase customer satisfaction and efficiency. The DOR has effective, proven processes in place for gathering stakeholder feedback, such as taxpayer feedback studies and business workshops. Finally, the focus of this transfer is on improving information technology and the ability for local governments to receive valuable and timely information. Grants are provided to bring local governments in-line with state government so that there is a single portal for businesses to go to register, get information, and pay their taxes.

(With concerns) The fee increase is a blank check without clearly saying what improvements will be achieved and the increase should be put on hold until the DOR can dictate what the responsiveness to the State Auditor's recommendations will be, what the participation rate target will be, and when the target is expected to be reached.

(Neutral) A future fee increase should be specifically designated and dedicated for grants to local governments to modernize and advance their technology.

(Opposed) None.

**Persons Testifying:** (In support) Drew Shirk, Department of Revenue; and B.G. Sandahl, Department of Licensing.

(With concerns) Alia Griffing, Washington State Federation of Employees; and Amber Carter, Association of Washington Business.

(Neutral) Victoria Lincoln, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying:** None.