
ENGROSSED HOUSE BILL 2005

State of Washington 65th Legislature 2017 Regular Session

By Representatives Lytton, Nealey, Kagi, and Ormsby

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1 AN ACT Relating to improving the business climate in this state
2 by simplifying the administration of municipal general business
3 licenses; adding a new chapter to Title 35 RCW; and creating a new
4 section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The definitions in this section apply
7 throughout this chapter unless the context clearly requires
8 otherwise.

9 (1) "Business licensing service," "business licensing system,"
10 and "business license" have the same meaning as in RCW 19.02.020.

11 (2) "City" means a city, town, or code city.

12 (3) "Department" means the department of revenue.

13 (4) "General business license" means a license, not including a
14 regulatory license or a temporary license, that a city requires all
15 or most businesses to obtain to conduct business within that city.

16 (5) "Partner" means the relationship between a city and the
17 department under which general business licenses are issued and
18 renewed through the business licensing service in accordance with
19 chapter 19.02 RCW.

20 (6) "Regulatory business license" means a license, other than a
21 general business license, required for certain types of businesses

1 that a city has determined warrants additional regulation, such as
2 taxicab or other for-hire vehicle operators, adult entertainment
3 businesses, amusement device operators, massage parlors, debt
4 collectors, door-to-door sales persons, trade-show operators, and
5 home-based businesses.

6 NEW SECTION. **Sec. 2.** (1) Except as otherwise provided in
7 subsection (7) of this section, a city that requires a general
8 business license of any person that engages in business activities
9 within that city must partner with the department to have such
10 license issued, and renewed if the city requires renewal, through the
11 business licensing service in accordance with chapter 19.02 RCW.

12 (a) Except as otherwise provided in subsection (3) of this
13 section, the department must phase in the issuance and renewal of
14 general business licenses of cities that required a general business
15 license as of July 1, 2017, and are not already partnering with the
16 department, as follows:

17 (i) Between January 1, 2018, and December 31, 2021, the
18 department must partner with at least six cities per year.

19 (ii) Between January 1, 2022, and December 31, 2027, the
20 department must partner with the remaining cities.

21 (b) A city that imposes a general business license requirement
22 and does not partner with the department as of January 1, 2018, may
23 continue to issue and renew its general business licenses until the
24 city partners with the department as provided in subsection (4) of
25 this section.

26 (2)(a) A city that did not require a general business license as
27 of July 1, 2017, but imposes a new general business license
28 requirement after that date must advise the department in writing of
29 its intent to do so at least ninety days before the requirement takes
30 effect.

31 (b) If a city subject to (a) of this subsection (2) imposes a new
32 general business license requirement after July 1, 2017, the
33 department, in its sole discretion, may adjust resources to partner
34 with the imposing city as of the date that the new general business
35 licensing requirement takes effect. If the department cannot
36 reallocate resources, the city may issue and renew its general
37 business license until the department is able to partner with the
38 city.

1 (3) The department may delay assuming the duties of issuing and
2 renewing general business licenses beyond the dates provided in
3 subsection (1)(a) of this section if:

4 (a) Insufficient funds are appropriated for this specific
5 purpose;

6 (b) The department cannot ensure the business licensing system is
7 adequately prepared to handle all general business licenses due to
8 unforeseen circumstances; or

9 (c) The department determines that a delay is necessary to ensure
10 that the transition to mandatory department issuance and renewal of
11 general business licenses is as seamless as possible.

12 (4)(a) In consultation with affected cities and in accordance
13 with the priorities established in subsection (5) of this section,
14 the department must establish a biennial plan for partnering with
15 cities to assume the issuance and renewal of general business
16 licenses as required by this section. The plan must identify the
17 cities that the department will partner with and the dates targeted
18 for the department to assume the duties of issuing and renewing
19 general business licenses.

20 (b) By January 1, 2018, and January 1st of each even-numbered
21 year thereafter, the department must submit the partnering plan
22 required in (a) of this subsection (4) to the governor; legislative
23 fiscal committees; house local government committee; senate
24 agriculture, water, trade and economic development committee; senate
25 local government committee; affected cities; association of
26 Washington cities; association of Washington business; national
27 federation of independent business; and Washington retail
28 association.

29 (c) The department may, in its sole discretion, alter the plan
30 required in (a) of this subsection (4) with a minimum notice of
31 thirty days to affected cities.

32 (5) When determining the plan to partner with cities for the
33 issuance and renewal of general business licenses as required in
34 subsection (4) of this section, cities that notified the department
35 of their wish to partner with the department before January 1, 2017,
36 must be allowed to partner before other cities.

37 (6) A city that partners with the department for the issuance and
38 renewal of general business licenses through the business licensing
39 service in accordance with chapter 19.02 RCW may not issue and renew
40 those licenses.

1 (7) A city may decline to partner with the department for the
2 issuance and renewal of a general business license as provided in
3 subsection (1) of this section if:

4 (a) The city participates in the online local business license
5 and tax filing portal known as "FileLocal" as of July 1, 2018. For
6 the purposes of this subsection (7)(a), a city is considered to be a
7 FileLocal participant as of the date that a business may access
8 FileLocal for purposes of applying for or renewing that city's
9 general business license and reporting and paying that city's local
10 business and occupation taxes. A city that ceases participation in
11 FileLocal after July 1, 2018, must partner with the department for
12 the issuance and renewal of its general business license as provided
13 in subsection (1) of this section; or

14 (b) The city has an estimated population of fewer than five
15 hundred as of July 1, 2017, and the city determines that partnering
16 with the department would cause an undue hardship because the city
17 lacks the fiscal or technical ability to participate in the
18 partnering process. For the purposes of this subsection (7)(b),
19 population is based on the most recent estimates produced by the
20 office of financial management. A city that declines to partner with
21 the department for the issuance and renewal of its general business
22 license as provided in this subsection must provide written notice to
23 the department within sixty days of the date that a city appears on
24 the department's biennial partnering plan as provided in subsection
25 (4) of this section. Such written notice must include an explanation
26 of the nature of the hardship.

27 (8) By January 1, 2019, and each January 1st thereafter through
28 January 1, 2028, the department must submit a progress report to the
29 legislature. The report required by this subsection must provide
30 information about the progress of the department's efforts to partner
31 with all cities that impose a general business license requirement
32 and include:

33 (a) A list of cities that have partnered with the department as
34 required in subsection (1) of this section;

35 (b) A list of cities that have not partnered with the department;

36 (c) A list of cities that are scheduled to partner with the
37 department during the upcoming calendar year;

38 (d) A list of cities that have declined to partner with the
39 department as provided in subsection (7) of this section;

1 (e) An explanation of lessons learned and any process
2 efficiencies incorporated by the department;

3 (f) Any recommendations to further simplify the issuance and
4 renewal of general business licenses by the department; and

5 (g) Any other information the department considers relevant.

6 NEW SECTION. **Sec. 3.** (1) A general business license that must
7 be issued and renewed through the business licensing service in
8 accordance with chapter 19.02 RCW is subject to the provisions of
9 this section.

10 (2)(a) A city has broad authority to impose a fee structure as
11 provided by RCW 35.22.280, 35.23.440, and 35A.82.020. However, any
12 fee structure selected by a city must be within the department's
13 technical ability to administer. The department has the sole
14 discretion to determine if it can administer a city's fee structure.

15 (b) If the department is unable to administer a city's fee
16 structure, the city must work with the department to adopt a fee
17 structure that is administrable by the department. If a city fails to
18 comply with this subsection (2)(b), it may not enforce its general
19 business licensing requirements on any person until the effective
20 date of a fee structure that is administrable by the department.

21 (3) A general business license may not be renewed more frequently
22 than once per year except that the department may require a more
23 frequent renewal date as may be necessary to synchronize the renewal
24 date for the general business license with the business's business
25 license expiration date.

26 (4) The business licensing system need not accommodate any
27 monetary penalty imposed by a city for failing to obtain or renew a
28 general business license. The penalty imposed in RCW 19.02.085
29 applies to general business licenses that are not renewed by their
30 expiration date.

31 (5) The department may refuse to administer any provision of a
32 city business license ordinance that is inconsistent with this
33 chapter.

34 NEW SECTION. **Sec. 4.** The department is not authorized to
35 enforce a city's licensing laws except to the extent of issuing or
36 renewing a license in accordance with this chapter and chapter 19.02
37 RCW or refusing to issue a license due to an incomplete application,
38 nonpayment of the appropriate fees as indicated by the license

1 application or renewal application, or the nonpayment of any
2 applicable penalty for late renewal.

3 NEW SECTION. **Sec. 5.** Cities whose general business licenses are
4 issued through the business licensing system retain the authority to
5 set license fees, provide exemptions and thresholds for these
6 licenses, approve or deny license applicants, and take appropriate
7 administrative actions against licensees.

8 NEW SECTION. **Sec. 6.** Cities may not require a person to obtain
9 or renew a general business license unless the person engages in
10 business within its respective city. For the purposes of this
11 section, a person may not be considered to be engaging in business
12 within a city unless the person is subject to the taxing jurisdiction
13 of a city under the standards established for interstate commerce
14 under the commerce clause of the United States Constitution.

15 NEW SECTION. **Sec. 7.** A general business license change enacted
16 by a city whose general business license is issued through the
17 business licensing system takes effect no sooner than seventy-five
18 days after the department receives notice of the change if the change
19 affects in any way who must obtain a license, who is exempt from
20 obtaining a license, or the amount or method of determining any fee
21 for the issuance or renewal of a license.

22 NEW SECTION. **Sec. 8.** (1)(a) The cities, working through the
23 association of Washington cities, must form a model ordinance
24 development committee made up of a representative sampling of cities
25 that impose a general business license requirement. This committee
26 must work through the association of Washington cities to adopt a
27 model ordinance on general business license requirements by July 1,
28 2018. The model ordinance and subsequent amendments developed by the
29 committee must be adopted using a process that includes opportunity
30 for substantial input from business stakeholders and other members of
31 the public. Input must be solicited from statewide business
32 associations and from local chambers of commerce and downtown
33 business associations in cities that require a person that conducts
34 business in the city to obtain a general business license.

35 (b) The department, association of Washington cities, and
36 municipal research and services center must post copies of, or links

1 to, the model ordinance on their internet web sites. Additionally, a
2 city that imposes a general business license requirement must make
3 copies of its general business license ordinance or ordinances
4 available for inspection and copying as provided in chapter 42.56
5 RCW.

6 (c) The definitions in the model ordinance may not be amended
7 more frequently than once every four years, except that the model
8 ordinance may be amended at any time to comply with changes in state
9 law or court decisions. Any amendment to a mandatory provision of the
10 model ordinance must be adopted with the same effective date by all
11 cities.

12 (2) A city that imposes a general business license requirement
13 must adopt the mandatory provisions of the model ordinance by January
14 1, 2019. The following provisions are mandatory:

15 (a) A definition of "engaging in business within the city" for
16 purposes of delineating the circumstances under which a general
17 business license is required;

18 (b) A uniform minimum licensing threshold under which a person
19 would be relieved of the requirement to obtain a city's general
20 business license. A city retains the authority to create a higher
21 threshold for the requirement to obtain a general business license
22 but must not deviate lower than the level required by the model
23 ordinance.

24 (3)(a) A city may require a person that is under the uniform
25 minimum licensing threshold as provided in subsection (2) of this
26 section to obtain a city registration with no fee due to the city.

27 (b) A city that requires a city registration as provided in (a)
28 of this subsection must partner with the department to have such
29 registration issued through the business licensing service in
30 accordance with chapter 19.02 RCW. This subsection (3)(b) does not
31 apply to a city that is excluded from the requirement to partner with
32 the department for the issuance and renewal of general business
33 licenses as provided in section 2 of this act.

34 NEW SECTION. **Sec. 9.** Cities that impose a general business
35 license must adopt the mandatory provisions of the model ordinance as
36 provided in section 8 of this act by January 1, 2019. A city that has
37 not complied with the requirements of this section by January 1,
38 2019, may not enforce its general business licensing requirements on

1 any person until the date that the mandatory provisions of the model
2 ordinance take effect within the city.

3 NEW SECTION. **Sec. 10.** Cities must coordinate with the
4 association of Washington cities to submit a report to the governor;
5 legislative fiscal committees; house local government committee; and
6 the senate agriculture, water, trade and economic development
7 committee by January 1, 2019. The report must:

8 (1) Provide information about the model ordinance adopted by the
9 cities as required in section 8 of this act;

10 (2) Identify cities that have and have not adopted the mandatory
11 provisions of the model ordinance; and

12 (3) Incorporate comments from statewide business organizations
13 concerning the process and substance of the model ordinance.
14 Statewide business organizations must be allowed thirty days to
15 submit comments for inclusion in the report.

16 NEW SECTION. **Sec. 11.** (1) The legislature directs cities,
17 towns, and identified business organizations to partner in
18 recommending changes to simplify the two factor apportionment formula
19 provided in RCW 35.102.130.

20 (2)(a) The local business and occupation tax apportionment task
21 force is established. The task force must consist of the following
22 seven representatives:

23 (i) Three voting representatives selected by the association of
24 Washington cities that are tax managers representing municipalities
25 that impose a local business and occupation tax, including at least
26 one jurisdiction that has performed an audit where apportionment
27 errors were discovered.

28 (ii) Three voting representatives selected by the association of
29 Washington business, including at least one tax practitioner or legal
30 counsel with experience representing business clients during
31 municipal audits that involved apportionment errors or disputes.

32 (iii) One nonvoting representative from the municipal research
33 and services center.

34 (b) The task force may seek input or collaborate with other
35 parties, as it deems necessary. The municipal research and services
36 center must serve as the task force chair and must staff the task
37 force.

1 (c) Beginning in the first month following the effective date of
2 this section, the task force must meet no less frequently than once
3 per month until it reports to the legislature as provided under
4 subsection (3) of this section.

5 (3) By October 31, 2018, the task force established in subsection
6 (2) of this section must prepare a report to the legislature to
7 recommend changes to RCW 35.102.130 and related sections, as needed,
8 to develop a method for assigning gross receipts to a local
9 jurisdiction using a market-based model. The task force must focus on
10 methods that rely on information typically available in commercial
11 transaction receipts and captured by common business recordkeeping
12 systems.

13 (4) The task force terminates January 1, 2019, unless legislation
14 is enacted to extend such termination date.

15 NEW SECTION. **Sec. 12.** Sections 1 through 10 of this act
16 constitute a new chapter in Title 35 RCW.

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