

# HOUSE BILL REPORT

## HB 2749

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### As Reported by House Committee On: Finance

**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:**

##### **Committee Activity:**

Finance: 1/30/20, 2/7/20 [DP].

#### **Brief Summary of Bill**

- Extends the deadline to decline partnership with the Department of Revenue and Business Licensing Service by participation in FileLocal to July 1, 2021 for certain cities.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

**Staff:** Nick Tucker (786-7383).

#### **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.

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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.*

### 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.

### Business Licensing System.

The Business Licensing Service (BLS) within the Department of Revenue (Department) is the state clearinghouse for business licensing. Through the BLS, the Department facilitates the issuance of local business licenses on behalf of 118 cities. Municipalities retain full regulatory control over their registration and compliance requirements.

All cities that require a general business license must, by December 31, 2022, partner with the Department to have such licenses issued and renewed through the BLS. A city may decline to partner with the Department and the BLS if the city participates in FileLocal as of July 1, 2020.

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

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### **Summary of Bill:**

The deadline to decline partnership with the Department and the BLS by participation in FileLocal is extended to July 1, 2021 for a city that receives at least \$1.95 million in fiscal year 2020 for temporary Streamlined Sales Tax mitigation in the 2019-21 State Omnibus Operating Appropriations Act (Chapter 415, Laws of 2019).

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

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony:**

(In support) The City of Kent (the city) would benefit from this extension. The city is an economic hub; there is manufacturing and warehousing. The city tries hard to support its

business community and would like to use the FileLocal because it can handle both business licenses and business and occupation tax filings. The city cannot yet participate in FileLocal because it needs to update its current system to be able to make the transition. This is why there needs to be an extension.

(Opposed) None.

**Persons Testifying:** Representative Orwall, prime sponsor; Paula Painter, City of Kent; and Patrick Connor, National Federation of Independent Business.

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