

SENATE BILL REPORT

SB 6632

As Reported by Senate Committee On:
Ways & Means, February 10, 2020

Title: An act relating to providing additional funding for the business licensing service program administered by the department of revenue.

Brief Description: Providing additional funding for the business licensing service program administered by the department of revenue.

Sponsors: Senator Takko; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/05/20, 2/10/20 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Increases the statutory maximum rate for business license application handling fees from \$19 to \$90.
- Decreases the statutory maximum rate for renewal application handling fees from \$11 to \$10.
- Eliminates the \$19 handling fee for an existing business to open an additional location or obtain a nonresident city endorsement.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6632 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Pedersen, Rivers and Van De Wege.

Minority Report: Do not pass.

Signed by Senators Honeyford, Assistant Ranking Member, Capital; Becker, Muzzall and Schoesler.

Minority Report: That it be referred without recommendation.

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.

Signed by Senators Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Wagoner, Warnick and Wilson, L..

Staff: Alia Kennedy (786-7405)

Background: 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. The number of cities and towns is set to increase to 217 by December 31, 2020, due to legislation enacted in 2017 requiring all cities with a general business license requirement to partner with DOR to have such licenses issued and renewed through the BLS.

Business License Handling Fees. State law sets a statutory maximum fee for each business license application and renewal application. Handling fees are collected by DOR. All revenues from the BLS handling fees are deposited into the BLS account for the sole purpose of maintaining and operating the BLS program.

Current handling fee rates are:

- \$19 for all business license applications other than renewal applications; and
- \$11 for renewal applications.

The application and renewal application handling fees were last increased in 2013.

Summary of Bill (First Substitute): The statutory maximum rate for business license handling fees are changed to the following:

- license applications to open or reopen a business are increased from \$19 to \$90; and
- license renewal applications are decreased from \$11 to \$10.

No handling fee is collected on a business license application by an existing business to open an additional location or obtain a nonresident city endorsement. All other business license applications maintain a statutory maximum rate of \$19.

Beginning September 30, 2023, and each year thereafter, DOR must review the BLS account balance and, if the balance in the account exceeds or is projected to exceed \$1 million by the end of the current fiscal year, then DOR must reduce one or more of the handling fees. Handling fees must be reduced to the extent necessary to maintain a business license account balance of no more than \$1 million at the end of the next fiscal year, as projected by DOR.

DOR is not required to reduce handling fees more than once in any fiscal year. DOR may round adjusted fees to the nearest whole dollar so long as adjusted fee do not exceed the statutory maximum rates.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Increases the statutory maximum rate for business license application handling fees to \$90, rather than \$85, and eliminates the \$19 handling fee for an existing business to open an additional location or obtain a nonresident city endorsement.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This is a fee bill that goes in the right direction. The bill has support of the business community. As the program increases its state and local partnerships it becomes more valuable to the business community by providing the business community with a system that meets all its needs in one place. This bill ensures that the handling fees on business license applications are adequate to maintain the program but do not exceed its needs. The bill is a well-crafted compromise that is good for the state and for businesses. The committee should consider an amendment crafted by business community representatives and approved by the Department of Revenue. Existing businesses have paid into the system over many years. The bill allows the program account to avoid solvency while minimizing the impact on small startup businesses, capping fee amounts, and providing a mechanism to reduce fees.

Persons Testifying: PRO: Senator Dean Takko, Prime Sponsor; Mark Johnson, Washington Retail Association; Patrick Connor, National Federation of Independent Business; Dean Carlson, Department of Revenue.

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