

HOUSE BILL REPORT

HB 1894

As Reported by House Committee On:
Finance

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: Representatives Walen, Street, Reed and Reeves; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 1/16/24, 1/18/24 [DP].

Brief Summary of Bill

- Makes changes to business licensing fees.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

Staff: Tracey Taylor (786-7152).

Background:

Business Licensing.

A business must register with the Department of Revenue (Department) if:

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- The business requires city, county, and state endorsements.
- The business owner is using a name other than their full legal name.
- The business plans to hire employees within the next 90 days.
- The business sells a product or provides a service that requires the collection of sales tax.
- The business' gross income is \$12,000 per year or more.
- The business is required to pay taxes or fees to the Department.
- The business buys or processes specialty wood products.
- The business meets nexus threshold reporting requirements.

There are various fees imposed on business licenses: a handling fee that cannot exceed \$90 is due with each business license application to open or reopen a business, up to a \$10 fee to renew a business license, and up to a \$19 fee for a business license application filed for any other reason. Handling fees must be reduced if the balance in the Business License Account exceeds or is projected to exceed \$1 million at the end of the next fiscal year.

The current fees are: \$50 to open or reopen a business, \$5 to renew a license, and \$10 for any other purpose.

City Business Licensing.

Approximately 230 of Washington's 281 cities require a business license for any business conducting business activities within the city. The Business Licensing Service (BLS) within the 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.

Fees associated with business licenses vary from flat rate charges to fees based on factors including employee count, square footage occupied, or business type. Any changes to the fees charged must be sent to the Department at least 75 days prior to the effective date of the change.

Summary of Bill:

If, during the Department's annual review, the balance of the Business License Account exceeds or is projected to exceed a three-month average of operating expenses from the Business License Account in the previous fiscal year, then the Department must reduce the business licensing fees.

If a city that issues licenses through the BLS enacts a change that only affects the amount of the fee for the issuance or renewal of the license, that change takes effect no sooner than 10 days after the Department receives notice of the change.

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 Department is the centralized administrator for business licensing. This bill reflects good governance and practical language tweaks from the continued work of the Department and many business organizations. There is concern that the \$1 million is an insufficient reserve and the three-month average of operating expenses is more appropriate. These changes allow the business licensing fees to be developed to reflect the portal costs and inflation and will help provide certainty about business licenses fees. In addition, the changes to municipal business license fee timing to 10 days reflects the new electronic process and is better for cities.

(Opposed) None.

Persons Testifying: Representative Amy Walen, prime sponsor; Mark Johnson, Washington Retail Association; Steve Ewing, Department of Revenue; and Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: None.