



INFORMATIONAL MEMORANDUM

TO: Finance Committee
FROM: Vicky Carlsen, Finance Director
CC: Mayor Ekberg
DATE: April 17, 2019
SUBJECT: Update on transitioning business licensing to the State

ISSUE

Update the Finance Committee on transitioning the business licensing function to the State.

BACKGROUND

Engrossed House Bill 2005 passed unanimously in 2017. The bill, now codified as Chapter 35.90 RCW, requires any city with a general business license, to partner with a combined licensing service.

At the November 9, 2018 Regular Meeting, Council authorized the Mayor to sign an interlocal agreement with the State of Washington Department of Revenue for business licensing services. The purpose of the agreement was to establish the terms under which Revenue's BLS work unit would act as the City's agent for the purpose of collecting, processing and disbursing information, licenses and fees related to the City's general business license activities. The City retains all power and authority over its business licensing and other regulatory activities except as expressly delegated in this agreement.

The date for transition was set for March 28, 2019

DISCUSSION

A communications plan announcing the change was prepared and implemented prior to the transition. Outreach to the business community included the following:

- Postcard mailed to all Tukwila businesses
- Letter mailed to all Tukwila businesses
- Website updated with information about the transition
- Posts on social media
- Outreach to the Chamber
- Article in E-Hazelnut

In addition to outreach to the business community, Finance also installed a kiosk at the front counter that will allow businesses to access the State site and apply and/or renew their business license while still onsite. The kiosk can also be used to pay a utility bill. Additional features, including the ability to apply for a job, will be added in the future.

As mentioned above, the transition occurred on March 28, 2019. Training on the new system occurred the week of, and the week after transition.

The City benefits from this partnership in several ways. Staff resources can be allocated from the renewal and fee collection function to auditing licensing data. Staff will also have access to more data on each business licensed in the City including:

- State licenses compared to Tukwila licenses
- Other endorsements
- Location codes for sales tax reporting
- Revenue
- Monitored alarms

As renewal time for business licenses approaches in the fall, the City will again reach out to our business community with information on renewing with the State.

RECOMMENDATION

Information Only.

ATTACHMENTS

Postcard mailed to all Tukwila businesses

Letter mailed to all Tukwila businesses



Please take note: Important information about your Tukwila business license

In accordance with a new state law, the Washington Department of Revenue's Business Licensing Service (BLS) will handle processing of all City of Tukwila business licenses and renewals, effective March 28, 2019.

Registering with the City of Tukwila through the Business Licensing Service – Our partnership with BLS will allow you “one-stop shopping” when maintaining or renewing many of your state and City licenses. New or expanding businesses will be able to apply for their City license online along with other state and local licenses that partner with BLS.

What do I have to do? Nothing right now, if you have an existing business license. About six weeks before your current license expiration date, BLS will send you a license renewal letter with instructions on how to renew your City of Tukwila business license. You may use E-check or credit card to make payment for online transactions. Prefer to renew your license by mail using the BLS renewal form? Please do so in plenty of time to reach BLS before the expiration date, and include a check made out to DOR for the appropriate amount. A late filing fee will be assessed for renewals received after the expiration date.

What if I don't have a business license? If you are operating a business in the City of Tukwila without a license, you are required to apply for one. Until March 15, 2019, this must be done in person by coming to City Hall at 6200 Southcenter Boulevard. Businesses found operating without a license are charged additional fees and penalties.

What fees will I have to pay? For renewals, you will still pay the City of Tukwila license fee, which is based on your part-time and full-time employee count. There will be a minimal processing fee assessed by the DOR to help cover BLS processing costs, as well as the printing and mailing of renewals and licenses.

Do you have questions? For more information about this new process, visit the BLS website at BLS.DOR.WA.gov or call BLS at 1-800-451-7985. You can also contact the City of Tukwila for additional information by calling 206-433-1835 or emailing Finance@TukwilaWA.gov. Finance staff members are available at City Hall to assist with navigating the BLS website if needed.



CITY OF TUKWILA
6200 Southcenter Boulevard
Tukwila, WA 98188

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**Doing business
in Tukwila?
A change is coming
to how you'll renew
your business license!**

**Please read
important information
on other side**



Dear Tukwila Business:

The City of Tukwila constantly strives to maintain a competitive environment in which our businesses can operate. We work hard to balance the City’s revenue needs with the ability of business to compete in the local, regional and global economy.

This letter is to inform you that starting in 2019 the City will be raising the business license fees. The decision to raise these fees came after significant public outreach and discussion with the City Council. The City met with dozens of businesses, provided notice to all business operating in the City, conducted a public open house, and solicited public testimony at multiple City Council meetings. In response to public input, the City decided to phase in the fee increase over two years. The table below shows the two-step fee schedule.

BUSINESS LICENSE FEE	2018	2019	2020
Per full-time employee	\$70	\$91	\$112
Per part-time employee	\$35	\$45	\$56

Prior to enacting the business license fee increase, the City reduced its expenditures for supplies and services by 3% in 2018. In addition, budgeted supply and service expenditures for 2019-2020 were reduced by an additional 3% for all City departments, except for Police and Fire which were reduced by 1.5%. The business license fee increase plus our spending reductions allow the City to retain essential public services. More than 60% of the City’s General Fund goes to Public Safety.

The City has traditionally relied on sales tax for a significant source of its revenue. However, due to changing buying patterns, the City has started to see sales tax growth flatten. Additionally, several years ago the State of Washington changed the method in how sales tax is distributed to jurisdictions (“Streamlined Sales Tax”). In the past, sales tax revenue was awarded based on the where the sales transaction occurred. Now the tax revenues are awarded based on where the customer takes delivery. This change resulted in the City of Tukwila losing substantial revenues. At the time of the change, the State enacted Streamline Sales Tax mitigation payments for municipalities such as Tukwila that were hard-hit by the change in revenue distribution. However, last session the Legislature voted to end these payments, which will result in a revenue loss to Tukwila of \$1.2 million per year starting in 2020.

The City has limited revenue options and ultimately prioritized retaining a high level of service for visitors, residents and guests. We appreciate your presence as a member of our community. If you have any questions, please call Cindy Wilkins at 206-431-3680 or email Cindy.Wilkins@TukwilaWA.gov.