



INFORMATIONAL MEMORANDUM

TO: **Finance & Governance Committee**

FROM: **Aaron BeMiller, Finance Director**

BY: **Adam Schierenbeck, Acting Fiscal Manager**

CC: **Thomas McLeod**

DATE: **July 22, 2025**

SUBJECT: **Business Licensing – Amendments to Chapter 5.04 TMC**

ISSUE

The Finance Department is recommending amendments to Chapter 5.04 of the Tukwila Municipal Code (TMC) concerning business licensing. The amendments will align the code with current practice and state law, create administrative efficiencies, and strengthen enforcement of the City's business licensing requirements.

BACKGROUND

In 2019, the City joined into a partnership with the Washington State Department of Revenue (DOR) for administering City business license applications and issuing City business license endorsements. Staff have identified the need to align the TMC with current practice as it relates to DOR's administration of business licenses, in addition to improving other areas of the code.

Also, RCW 35.90.080 requires the City to adopt the mandatory provisions of the model ordinance developed by Washington cities when imposing a general business license requirement. Effective January 1, 2026, the minimum threshold under which a nonresident business is exempt from paying a business license fee will increase from \$2,000 to \$4,000, per the model ordinance.

DISCUSSION

Staff are proposing the following amendments to administer business licensing. An amendment to the minimum threshold is required by state law.

Definition Changes

Certain definition changes are recommended based upon definitions that have been adopted by other Washington cities. The new definitions add clarity and do not otherwise alter the City's business licensing requirements.

Purpose of Business License Regulations

The business licensing provisions are deemed an exercise of the power of the City to license for regulation and for revenue. Ensuring the legality of businesses and compliance with other sections of the TMC, for which separate code enforcement provisions already exist, is secondary and distinct from issuance of a general business license. It is recommended that the purpose statement be amended accordingly, and that a new section be added to clarify that the issuance of a business license does not indicate the legality of the business.

Minimum threshold

The Washington State business license model ordinance provides that if the annual gross income derived by a nonresident within Tukwila does not exceed \$2,000 per calendar year, then the business license fee is waived. This threshold amount will increase to \$4,000 effective January 1, 2026, and will subsequently be adjusted every 48 months based on the Consumer

Price Index for each of the preceding four years. This change is required by state law. Businesses with gross income under the threshold are still required to apply for and obtain a City business license.

Enforcement

New and amended enforcement provisions are recommended to more effectively administer and enforce the City's business licensing requirements. These include:

- A more efficient means for staff to assess underpaid license fees, including the right to estimate the license fee due if the business has not kept or does not provide requested information to substantiate the proper amount due.
- Stronger enforcement tools for failure to follow the business licensing requirements, including the possibility of issuing a criminal violation or injunction.
- Specific language stating that the Finance Director and staff have the right to inspect documentation or places of business to ensure compliance with business license regulations and may call upon other city departments to ensure compliance.

FINANCIAL IMPACT

The code changes are not anticipated to have a significant financial impact on business license fee revenues. The change to the minimum threshold may result in reduced business license fee revenue from nonresident businesses. However, this amount will likely be offset by a greater ability to assess and enforce past due or underpaid license fees.

RECOMMENDATION

The Council is being asked to approve the ordinance and consider this item at the August 11, 2025 Committee of the Whole Meeting and subsequent August 18, 2025 Regular Meeting.

ATTACHMENTS

- A. Draft Business License Ordinance
- B. 2026 Business License Model Threshold Update (from AWC)

DRAFT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON; AMENDING VARIOUS ORDINANCES AS CODIFIED THROUGHOUT TUKWILA MUNICIPAL CODE (TMC) CHAPTER 5.04, “BUSINESS LICENSES & REGULATIONS, LICENSES GENERALLY”; REPEALING TMC SECTIONS 5.04.050, 5.04.080, AND 5.04.105; ESTABLISHING TMC SECTIONS 5.04.140 AND 5.04.150; TO AMEND THE BUSINESS LICENSE FEES, MINIMUM THRESHOLD AND ADMINISTRATIVE PROVISIONS RELATED TO BUSINESS LICENSING; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, in 2019, the City joined into a partnership with the Washington State Department of Revenue (DOR) for administering City business license applications and issuing City business license endorsements; and

WHEREAS, RCW 35.90.080 requires the City to adopt the mandatory provisions of the model ordinance developed by Washington cities when imposing a general business license requirement, including a minimum threshold under which a nonresident business is relieved of the requirement to pay the business license fee, which will be amended effective January 1, 2026; and

WHEREAS, additional amendments to the City’s business licensing code will align the code with current practice, create administrative efficiencies, and strengthen enforcement of the City’s business licensing requirements;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY ORDAINS AS FOLLOWS:

Section 1. TMC Section 5.04.010 Amended. Ordinance Nos. 2315 §1 (part), 2333 §1, 2356 §1, 2381 §1, 2496 §1, 2544 §2, and 2588 §2, as codified at TMC Section 5.04.010, “Definitions,” are hereby amended to read as follows:

5.04.010 Definitions

For the purpose of this chapter, the following definitions shall apply:

1. "Business," means ~~and includes~~ all activities, occupations, trades, pursuits, or professions located and/or engaged in within the City, ~~that involves the manufacturing or processing of materials of any type; the sale of goods, wares or merchandise; the rendition of services or the repair of goods, wares or merchandise for any consideration with the object of gain, benefit or advantage~~ to the person engaging in the same or to any other person or class, directly or indirectly, and includes nonprofit enterprises, whether or not an office or physical location for the business lies within the City limits.

2. "Department," means Finance Department.

3. "Director," means the Finance Director or his or her designee.

4. "Engaging in business" means commencing, conducting, or continuing in business, and also the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.

a. This section sets forth examples of activities that constitute engaging in business in the City and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimus business activities in the City without having to pay a business license fee. The activities listed in this section are illustrative only and are not intended to narrow the definition of "engaging in business" as defined above. If an activity is not listed, whether it constitutes engaging in business in the City shall be determined by considering all the facts and circumstances and applicable law.

b. Without being all inclusive, any one of the following activities conducted within the City by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license:

(1) Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal property, intangible personal property, or real property permanently or temporarily located in the City.

(2) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.

(3) Soliciting sales.

(4) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.

(5) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.

(6) Installing, constructing, or supervising installation or construction of, real or tangible personal property.

(7) Soliciting, negotiating, or approving franchise, license, or other similar agreements.

(8) Collecting current or delinquent accounts.

(9) Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.

(10) Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.

(11) Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, consultants, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers, veterinarians.

(12) Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.

(13) Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the City, acting on its behalf, or for customers or potential customers.

(14) Investigating, resolving, or otherwise assisting in resolving customer complaints.

(15) In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.

(16) Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

c. If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the City but the following, it need not register and obtain a business license.

(1) Meeting with suppliers of goods and services as a customer.

(2) Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.

(3) Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.

(4) Renting tangible or intangible property as a customer when the property is not used in the City.

(5) Attending, but not participating in a "trade show" or "multiple vendor events". Persons participating at a trade show shall review the City's trade show or multiple vendor event ordinances.

(6) Conducting advertising through the mail.

(7) Soliciting sales by phone from a location outside the City.

d. A seller located outside the City merely delivering goods into the City by means of common carrier is not required to register and obtain a business license, provided that it engages in no other business activities in the City. Such activities do not include those in subsection 5.04.010(4)(c).

e. The City expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the license fee under the law and the constitutions of the United States and the State of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

5. "License or licensee," ~~as used generally in this chapter, means and includes respectively the words "permit" or "permittee" or the holder for any use or period of time of any similar privilege, wherever relevant to any provision of this chapter or other law or ordinance~~ means any business that applies for or is granted a business license. The term shall also mean the person who submits a business license application for approval, the owner or operator of a business, and any corporation, partnership, nonprofit, or organization which owns or operates the business.

~~6. "Nonprofit organization" includes individual person(s), partnerships, joint ventures, societies, associations, churches, clubs, trustees, trusts or corporations; or any officers, agents, employees, factors or any kind of personal representatives of any thereof, in any capacity, acting either for himself or any other person under either personal appointment or pursuant to law who qualifies under definition of and certification by the Internal Revenue Service as nonprofit.~~

76. "Person," means any individual, receiver, agent, trustee in bankruptcy, trust, estate, firm, co-partnership, joint venture, company, joint stock company, business trust, corporation, society, or group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise.

87. "Person engaged in business" means the owner or one primarily beneficially interested in lawful business for profit and not employees.

98. "Home occupation" means any business conducted in a residence within the corporate city limits of Tukwila, such business being subject to the requirements set forth in TMC Chapter 18.06, "Definitions," in the section entitled "Home Occupation."

109. "Employee" means any individual employed at any business who performs any part of their duties within the City of Tukwila including all full-time, part-time, and temporary employees or workers. The term includes self-employed persons, sole proprietors, owners, officers, managers, and partners. An independent contractor is not an employee. ~~and includes each of the following persons who are not required by the City to have his/her/its own separate City of Tukwila business license:~~

~~a. Any person employed at any business who performs any part of their duties within the City of Tukwila or reports from a location within the City's corporate limits; and~~

~~_____ b. Any person who is on the business's payroll, and includes all full-time, part-time, and temporary employees or workers; and~~

~~c. Owners, officers, managers, and partners; and~~

~~d. Any other person who performs work, services or labor at the business including, but not limited to, family members, regardless of whether they receive a wage from the business.~~

~~e. Self-employed persons, sole proprietors, owners, officers, managers, and partners; and~~

~~f. Any other person who performs work, services or labor at the business, including an independent contractor who may be exempt from requirements to have a separate City of Tukwila business license. Employee is a unit of measure used to determine the Business License fee.~~

10. "Business Licensing Service" or "BLS" means the office within the Washington State Department of Revenue providing business licensing services to the City.

11. "Business license" means a license issued by the City authorizing a person to engage in business within the City. "Business license" also means the licensing document produced by the Business Licensing Service upon which the City-issued business license appears as an endorsement.

12. "City" means the City of Tukwila.

13. "Place of business" means a temporary or permanent physical location within City limits where business is conducted or is intended to be conducted.

Section 2. TMC Section 5.04.012 Amended. Ordinance No. 2315 §1 (part), as codified at TMC Section 5.04.012, "Purpose," is hereby amended to read as follows:

5.04.012 Purpose

The ~~purpose~~ provisions of this chapter shall be deemed an exercise of the power of the City to license for regulation and for revenue. ~~is to regulate and insure the legal conduct of businesses, assist in the effective administration of health, fire, building, zoning and other codes of the City, to impose fees for revenue purposes, and to provide a means for obtaining public information and compiling statistical information on existing and new businesses in the City.~~

Section 3. TMC Section 5.04.020 Amended. Ordinance Nos. 2315 §1 (part), 2333 §3, 2356 §2, 2381 §3, 2496 §2, 2544 §3, and 2588 §4, as codified at TMC Section 5.04.020, "Applications and fees required," is hereby amended to read as follows:

5.04.020 Applications and fees required

A. Application Required. Any person desiring to establish or conduct any business ~~enterprise or undertaking~~ within the corporate limits of the City shall first file a ~~master business license~~ application through the BLS ~~Washington State Department of Licensing Master License Service in coordination with the City of Tukwila Finance Department for a license to conduct such business.~~ The application shall be upon a form furnished by the BLS ~~Washington State Department of Licensing Master License Service~~ on which the

applicant shall state the company name and address; the nature of the business activity or activities in which he/she desires to engage; the place where the business will be conducted; the number of employees, whether full or part-time, ~~on the payroll as of January 1, or, if a new business, the number to be employed on the opening date; the Washington State Unified Business Identifier (UBI) number;~~ and other information pertaining to the business as required by the City or BLS. The applicant shall be required to provide all information requested on said form and failure to do so shall be grounds for refusing to issue the business license. If a person maintains more than one place of business within the City, a separate general business license registration is required for each business. Owners of residential rental property are not subject to the application requirements in this chapter but shall adhere to the ~~application~~ rental business license and inspection program requirements in TMC Chapter 5.06.

B. **Fee – General.** ~~1. The application must be accompanied by the appropriate application-business license fee in accordance with the fee schedule as adopted by separate resolution of the City Council, as well as the Master License Service BLS handling fee required by RCW 19.02.075. For persons with a place of business in Tukwila the City, other than a home occupation, the business license fee for the annual license (Business License fee) issued under this chapter shall be determined based on the total number of employees. The business license fee shall be determined by multiplying the appropriate Business License fee by the number of employees working at or reporting from a location within the City's corporate limits, in accordance with the fee schedule adopted by resolution of the City Council. In no event shall the Business License fee be less than the minimum fee set forth in this chapter.~~ If the number of employees is not known at the time of application or renewal of the license, the business shall estimate the maximum number of employees they anticipate working any time during the 12-month period subject to licensure and remit the associated business license fee.

~~2. It will be the responsibility of the business to determine the total number of employees and, if required, demonstrate to the satisfaction of the Finance Director that the information pertaining to the B business L license fee is accurate. Businesses without a full year of operating history shall estimate the number of employees that will be employed in a 12-month period.~~

C. **Minimum Threshold Fee.** ~~There shall be an annual minimum fee for a Business License in accordance with the fee schedule adopted by resolution of the City Council.~~
~~1. For purposes of the license by this chapter, any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the City is equal to or less than the threshold amount provided in this subsection \$2,000 and who does not maintain a place of business within the City, shall submit a business license registration to the Finance Director or designee but is exempt from the business license fee requirement as provided in this chapter.~~ The threshold does not apply to regulatory license requirements or activities that require a specialized permit.

1. Prior to January 1, 2026, the threshold amount is \$2,000 per calendar year.

2. Beginning January 1, 2026, the threshold amount is \$4,000 per calendar year. The threshold amount will be adjusted every forty-eight months on January 1, by an

amount equal to the increase in the Consumer Price Index (“CPI”) for “West Urban, All Urban Consumers” (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight-month) CPI increase using each 12-month period ending on June 30 of each prior year and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis, and if any of the annual CPI decreased during the forty-eight-month period, a zero (0) percent increase will be used in computing the annual basis.

~~2. Businesses doing business in the City that have no employees physically working within the City’s corporate limits shall pay the minimum fee required under this chapter.~~

~~3. An entity subject to exemption pursuant to TMC Section 5.04.090 need not pay a Business License fee. An entity engaging in some activities or functions that are exempt from the Business License fee and some that are not exempt shall pay a Business License fee based on the number of employees involved in the functions or activities that are not exempt.~~

~~D. **New Businesses.** The Business License fee for a new business shall be based on the estimated number of employees that will work in Tukwila for a 12-month period. If, during the first license year for a new business, the City determines the actual number of employees is significantly different than the estimated number identified by the business owner, the amount of the Business License fee will be recalculated for the new business. If the revised Business License fee is higher than the original Business License fee paid by the business owner for the first license year, the business owner must pay the difference to the City within 30 days after written notice of the amount owed is sent to the business owner by the City.~~

~~E. **Over-reporting of Employees.** In the event the licensee ~~business owner~~ miscounted overreported the number of employees, ~~by an error factor of more than 15% and paid an excess B~~resulting in an overpayment of the business License fee as a result, ~~a business-the licensee~~ may request that the City refund the overpayment. The request must be made in writing to the Finance Department, and the City must receive the refund request and all supporting documentation no later than 60 days after the end of the calendar year in which the ~~error-overpayment~~ was made. If the City is satisfied the ~~business owner-licensee~~ paid an excess Business License fee, the City will refund the excess amount ~~paid to the business owner~~.~~

~~F. **Under-reporting of Employees.** If, at the time of license renewal, the City determines the business owner under-reported the number of employees for the preceding year-license period or has otherwise underpaid the business license fee properly due~~by an error factor of more than 15%~~, the business shall pay the balance of the corrected Business License fee ~~(calculated as the difference between the paid Business License fee and the corrected Business License fee).~~ The Finance Director shall mail written notice of the balance due to the business owner, and the business shall ~~pay the balance due to the City~~ within 30 days of the date the written notice is mailed by the City. ~~A penalty of 20% of the balance due will be applied if payment is not received~~~~

~~within 30 days.~~ An additional penalty as adopted by separate resolution of the City Council shall be assessed if payment is not received by the notice due date or any extension thereof.

~~— G. Payment by Draft or Check. Payment made by draft or check shall not be deemed a payment of the Business License fee unless and until the same has been honored in the usual course of business, nor shall acceptance of any such check or draft operate as a quittance or discharge of the Business License fee unless and until the check or draft is honored. Any person who submits a Business License fee payment by check to the Washington State Department of Licensing Master License Service or City, pursuant to the provisions of this chapter, shall be assessed an NSF fee set by the Finance Director if the check is returned unpaid by a bank or other financial institution for insufficient funds in the account or for any other reason.~~

Section 4. TMC Section 5.04.030 Amended. Ordinance Nos. 2315 §1 (part) and 2588 §5, as codified at TMC Section 5.04.030, “Issuance of a license and annual renewal,” is hereby amended to read as follows:

5.04.030 Issuance of a license and annual renewal

A. Upon review and approval of ~~the a business license~~ application by the City, the ~~BLS Washington State Department of Licensing Master License Service or the Finance Director or designee~~ shall issue a business license to the applicant. The license shall grant to the applicant the privilege to conduct such business at a designated location in the City for the license period set forth in TMC Section 5.04.040.

B. Persons continuing to engage in business within the City shall renew their business license(s) each year. Businesses must pay a renewal fee, as well as the ~~BLS Master License Service~~ handling fee required by RCW 19.02.075. ~~The annual business license renewal fee shall be in accordance with the fee schedule adopted by resolution of the City Council. The annual fee may be prorated in order to conform the license expiration date with the expiration date established by the Master License Service.~~ Persons who do not renewing their business license by the expiration date may be subject to a late renewal penalty charged by the ~~Master License Service~~ BLS as provided in RCW 19.02.085.

C. Failure to renew the a business license within one hundred twenty (120) days of expiration will result in the cancellation of the business license and will requires a new application for a business license to engage in business in the City.

Section 5. TMC Section 5.04.040 Amended. Ordinance Nos. 2315 §1 (part), 2333 §4, and 2356 §3, as codified at TMC Section 5.04.040, “Prorating fee,” is hereby amended to read as follows:

5.04.040 License periodProrating fee

The license fee set forth in this chapter for new business license applications shall be for the ~~calendar~~ period beginning the date the business license application is submitted by the licensee through the last day of the same month in the following year. The license fee for business license renewals shall be for one year following the date of the prior

business license expiration date. ~~, and each person engaged in business must pay the full license fee for the current year.~~ License fees are not refundable and are not prorated, except as provided in TMC Section 5.04.100, regardless of whether the business operates for the entire license period ~~calendar year~~, or whether the business license is denied, revoked, withdrawn or suspended with cause.

Section 6. Repealer. Ordinance Nos. 2315 §1 (part), 2333 §5, 2356 §, 2381 §4, 2496 §3, and 2544 §4, as codified at TMC Section 5.04.050, “Late acquisition or renewal”, are hereby repealed, thereby eliminating this section:

~~5.04.050 Late acquisition or renewal~~

~~— A. Penalty. For new businesses, failure to pay the Business License fee by the first day of commencing business operations pursuant to TMC Section 5.04.020 will result in a late acquisition penalty in accordance with the fee schedule adopted by resolution of the City Council. For renewing businesses, failure to pay the Business License renewal fee by January 31st shall constitute delinquency and shall result in a penalty in accordance with the fee schedule adopted by resolution of the City Council. No business license and/or renewal for the current period shall be granted until all delinquent fees, together with penalties, have been paid in full. The Finance Director or his/her designee is authorized, but not obligated, to waive all or any portion of the penalties and interest provided herein in the event the Finance Director determines that the late payment was the result of excusable neglect or extreme hardship.~~

~~— B. Collection of Fees and Penalties. Any license fee due and unpaid under this chapter, and all penalties thereon, shall constitute a debt to the City and may be collected in court proceedings in the same manner as any other debt in like amount, which remedy shall be in addition to any and all other existing remedies.~~

~~— C. Revocation of License. The Finance Director may revoke any business license issued pursuant to this chapter to any business or other person who is in default in payment of any license fee hereunder, or who shall otherwise fail to comply with any of the provisions of this chapter. Notice of such revocation shall be issued pursuant to TMC Section 5.04.110.D. On and after the date of the notice of revocation, any business subject thereto that continues to engage in business shall be deemed to be operating without a license, and shall be subject to any and all penalties herein provided.~~

~~— D. There shall be a penalty to reinstate any business license revoked through nonpayment of the Business License fee. The penalty shall be identified in the fee schedule adopted by resolution of the City Council.~~

Section 7. TMC Section 5.04.060 Amended. Ordinance No. 2315 §1 (part), as codified at TMC Section 5.04.060, “Transferability,” is hereby amended to read as follows:

5.04.060 Transferability

The license granted in pursuance hereof shall be personal to the licensee and it shall not be assignable or transferable to any other person. A change in the Unified Business Identifier issued by the Washington State Department of Revenue will require the

[submission of a new business license application and payment of the applicable business license fee as set forth in this chapter.](#)

Section 8. TMC Section 5.04.070 Amended. Ordinance Nos. 2315 §1 (part), 2333 §6, 2356 §5, 2381 §5, and 2496 §4, as codified at TMC Section 5.04.070, “Change in UBI #, ownership, physical location or nature of business,” is hereby amended to read as follows:

5.04.070 Change in ~~UBI #, ownership,~~ physical location or nature of business

The license granted pursuant hereto shall be used to conduct the particular business or type of business at the designated address for which such license is issued. Any license holder with a change in the nature of the business, ~~a change in the Unified Business Identifier (UBI) issued by the Washington State Department of Licensing,~~ or a change in the physical location of the business, ~~and/or a change in ownership of the business~~ shall immediately submit an new application for licensure to the BLS Finance Department documenting the relevant change(s). ~~A change in the UBI or a change in ownership for the business will require payment of the applicable license fee set forth in the fee schedule adopted by resolution of the City Council, in addition to the submission of a new application.~~

Section 9. Repealer. Ordinance No. 2315 §1 (part), as codified at TMC Section 5.04.080, “Required – Display,” is hereby repealed, thereby eliminating this section:

~~5.04.080 Required – Display~~

~~It is unlawful for any person to engage in or carry on any business activity in the City without first procuring a license as provided in this chapter. The license shall thereafter be prominently displayed in the place of business of the applicant.~~

Section 10. TMC Section 5.04.090 Amended. Ordinance Nos. 2315 §1 (part), 2333 §7, 2356 §6, 2544 §5, 2588 §6, and 2593 §2, as codified at TMC Section 5.04.090, “Exemption,” is hereby amended to read as follows:

5.04.090 Exemptions

A. **Exemptions.**—The following persons entities ~~may claim an exemption are exempt~~ from the Business License fee, but if exempt under this subsection such persons entities shall still ~~register~~ apply for and obtain a business license under this chapter:

1. ~~Certain~~ **Organizations exempt from federal income tax** under a provision of 26 USC Section 501(c).—~~An Such~~ organization ~~that files with the City a copy of its current IRS 501(c)(3) exemption determination letter issued by the~~ must be able to show satisfactory proof from the Internal Revenue Service (IRS) of its tax exempt status, except in the case of religious organizations which are assumed by the IRS of being exempt from taxes under 26 USC Section 501(c)(3) without application for or issuance of a determination letter by the IRS.

2. A governmental entity that engages solely in the exercise of governmental functions. Activities that are not exclusively governmental, such as some of the activities of a hospital or medical clinic, are not exempt under this chapter.

~~3. A nonprofit business operated exclusively for a religious purpose, upon furnishing proof to the Finance Director of its nonprofit status. For the purposes of this chapter, the activities that are not part of the core religious functions are not exempt.~~

~~4. A civic group, service club, or social organization that is not engaged in any profession, trade, or occupation, but is organized to provide civic, service, or social activities in the City.~~

~~a. Examples of such organizations include but are not limited to: Soroptomists, Kiwanis, Lions' Rotary, American Legion, children's and adults' athletic leagues and similar types of groups, clubs or organizations.~~

53. A court interpreter who provides an oral translation between speakers who speak different languages, and who is either a certified interpreter, qualified interpreter, or registered interpreter, and who makes less than \$12,000 in gross annual revenue in Tukwila, Washington. Certified, qualified and registered interpreters are defined as follows:

a. "Certified interpreter" means an interpreter who is certified by the administrative office of the courts.

b. "Qualified interpreter" means a person who is readily able to interpret or translate spoken and written English for non-English-speaking persons and to interpret or translate oral or written statements of non-English-speaking persons into spoken English.

c. "Registered interpreter" means an interpreter who is registered by the administrative office of the courts.

64. A public card room (also known as a social card room) with a house-banked license.

B. Nothing in this chapter shall be construed to require a license for any farmer solely engaged in the business of, ~~gardener, or other person to~~ selling, delivering or peddling any fruits, vegetables, berries, butter, eggs, fish, milk, poultry, meats or any ~~farm produce or edibles~~ other agricultural product that is raised, caught, produced or manufactured by such person ~~in any place within the State~~. "Agricultural product" does not include cannabis or cannabis products as defined in RCW 69.50.101.

Section 11. TMC Section 5.04.100 Amended. Ordinance Nos. 2315 §1 (part) and 2588 §7, as codified at TMC Section 5.04.100, "Failure to Pay Fee," is hereby amended to read as follows:

5.04.100 Failure to Pay Fee

A. If any person engaged in business fails or refuses to pay the required license fee for any year period of time as herein provided, ~~they shall not be granted a license for the~~

~~current year until such delinquent license fees in accordance with the fee schedule adopted by resolution of the City Council have been paid, in addition to the current years' required fee(s) the Director shall assess all license fee amounts that should have been paid for the last four years, as determined by the Director, plus a penalty as adopted by separate resolution of the City Council. Such fees may be prorated as the City deems necessary if the assessment period is less than a 12-month license period. Such fees may be collected by the City by proper legal action brought for that purpose if any person engaged in business fails or refuses to pay the license fee. This remedy is cumulative and not exclusive.~~

B. If a person fails or refuses a Department request to provide or make available records to determine the amount of the license fee due under this chapter, the Director is authorized to determine the amount of the license fee payable by obtaining facts and information upon which to base the estimate of the fees due. Such fee assessment shall be deemed prima facie correct and shall be the amount of the business license fee owing to the City by the person.

C. The balance of the business license fee shall be due within 30 days of the date the written notice is mailed by the City. An additional penalty as adopted by separate resolution of the City Council shall be assessed if payment is not received by the notice due date or any extension thereof. Business license fees may be collected by the City by proper legal action brought for that purpose if any person engaged in business fails or refuses to pay the license fee. This remedy is cumulative and not exclusive.

Section 12. Repealer. Ordinance Nos. 2315 §1 (part) and 2588 §8, as codified at TMC Section 5.04.105, "Additional Requirements for Issuance of Business License," is hereby repealed, thereby eliminating this section:

~~5.04.105 — Additional Requirements for Issuance of Business License~~

~~— A. A business license will only be issued provided the building, structure, operation or location of the business for which the license is sought complies with the requirements or standards of the Tukwila Municipal Code.~~

~~— B. In any case where an applicant seeks a business license for a business to be located in a building or structure for which a building or land use permit is required to operate the business as proposed, whether as a newly constructed building or structure or a remodeled building or structure, the permit process, including final inspections/issuance of occupancy permits, shall be completed prior to issuance of a business license.~~

~~— C. In any case where an applicant seeks a business license for a business to be located in a building or structure for which no building or land use permit is required to operate the business as proposed, the building department may require the business premises to be inspected for compliance with life and safety codes. If the inspection reveals outstanding code violations, the business license will not be issued until all life and safety code violations are resolved.~~

Section 13. TMC Section 5.04.110 Amended. Ordinance Nos. 2315 §1 (part), 2333 §8, 2352 §2, 2496 §5, and 2588 §9, as codified at TMC Section 5.04.110, "Denial, Suspension, Revocation," is hereby amended to read as follows:

5.04.110 Denial, Suspension, Revocation

~~A. The Finance Director may deny any business license application pursuant to TMC Section 5.04.105.~~

~~B.~~^{A.} The Finance Director may deny, suspend or revoke any business license under this chapter where one or more of the following conditions exist:

1. The licensee is in default of any fee, charge~~tax~~ or amounts due and payable to the City of Tukwila, as outlined in the Tukwila Municipal Code or City policy.

2. The license was procured by fraud or by a false or misleading representation of fact in the application, or in any report or record required to be filed with the Finance Department.

3. The building, structure, equipment, operation or location of the business for which the license was issued does not comply with the requirements or standards of the Tukwila Municipal Code.

4. The license holder, his or her employee, agent, partner, director, officer or manager has knowingly violated any provisions of any chapter of the Tukwila Municipal Code, or has knowingly permitted, failed to prevent, or has otherwise allowed a violation of any of the provisions of any chapter of the Tukwila Municipal Code to occur on his or her business premises.

5. The license holder, his or her employee, agent, partner, director, officer or manager has repeatedly violated any provision of City policies or the Tukwila Municipal Code after having received notice of such violation.

6. Conduct of the business would be in violation of any local, state or federal law, rule or regulation prohibiting the conduct of that type of business.

7. The property at which the business is located has been determined by a court to be a chronic nuisance property, a Violation Notice and Order for a chronic nuisance property has been issued and not timely remedied or appealed, or the Hearing Examiner has determined the property to be a chronic nuisance property, as provided in TMC Chapter 8.27.

8. The building or structure for which the licensee seeks a business license requires a building or land use permit under any provision of City policies or the Tukwila Municipal Code for which the permit process, including final inspections and/or issuance of occupancy permits, has not been completed.

9. The building or structure for which the licensee seeks a business license has not been inspected for compliance with life and safety codes, if such are required under any provision of City policies or the Tukwila Municipal Code, or if such inspection reveals outstanding code violations.

~~C.B.~~ Upon determination that grounds for denial, suspension or revocation of a license exist, the Finance Director shall send the ~~licensee~~~~applicant or license holder~~ a Notice of Denial, Suspension or Revocation. The Notice of Denial, Suspension or Revocation shall set forth the grounds for and terms of the denial, suspension or revocation, and a statement advising the applicant or license holder that he/she may appeal the Notice of Denial, Suspension or Revocation in accordance with the provisions of TMC Section 5.04.112. The filing of such appeal shall stay the action of the Finance Director pending decision on the appeal by the City Hearing Examiner or other hearing body pursuant to TMC Section 5.04.112.

~~D.C.~~ **Receipt of the Notice of Denial, Suspension or Revocation.** The Notice of Denial, Suspension or Revocation shall be: (1) sent to the ~~licensee~~~~applicant or license holder~~ by registered mail at the address provided on the license application; (2) hand delivered to the address provided on the license application; or (3) posted upon the premises where such ~~licensee~~~~applicant or license holder~~ conducts the business that is the subject of the denied, suspended or revoked license. Notice shall be deemed received by the ~~licensee~~~~applicant or license holder~~ upon posting, hand delivery, or 3 business days after mailing, whichever occurs first.

D.- Ten (10) calendar days after receipt of the notice of denial, suspension, or revocation, any business subject thereto that continues to engage in business shall be deemed to be operating without a license and shall be subject to penalties and enforcement as provided in TMC Section 5.04.115, unless an appeal has been filed pursuant to TMC Section 5.04.112 for which a written decision has not been issued.

E.- There shall be assessed a penalty to reinstate any business license that has been revoked or suspended under this subsection, as adopted by separate resolution of the City Council.

Section 14. TMC Section 5.04.115 Amended. Ordinance Nos. 2315 §1 (part) and 2549 §2, as codified at TMC Section 5.04.115, "Penalties," is hereby amended to read as follows:

5.04.115 Violations and Enforcement Penalties

Any violation of this chapter, or failure to comply with any of the requirements of this chapter, may be enforced as provided for in this section. Each separate date, or portion thereof, during which any violation occurs shall constitute a separate violation~~shall be subject to enforcement and penalties as prescribed in TMC Chapter 8.45 and the issuance of a Notice of Violation in accordance with TMC Section 8.45.070.~~

A. **Civil infraction.** A business, licensee, or person who violates any provision of this chapter commits a Class 1 civil infraction as set forth in RCW 7.80.120(1)(a), as currently enacted or hereafter amended. An infraction issued pursuant to this section shall be issued by code enforcement officers, filed in the Tukwila Municipal Court and processed in the same manner as other infractions filed in the Tukwila Municipal Court. If a business, licensee, or person cited for failure to obtain a business license appears before the Tukwila Municipal Court and provides written evidence that he or she obtained

a business license prior to adjudication of the infraction, the monetary penalty shall be reduced to \$150.

B. Civil code enforcement. A civil code enforcement action may be instituted pursuant to Chapter 8.45 TMC to effectuate the abatement or corrective action required as a result of a violation of this chapter. Failure to timely abate the violation or take corrective action, as required by an issued Notice of Violation, may result in the imposition of a fine in accordance with TMC 8.45.120(A)(2) and 8.45.080(C).

C. Criminal violation. A person who knowingly violates a provision of this chapter, or commits a repeat violation of this chapter, is guilty of a misdemeanor, punishable by up to the maximum penalty established in RCW 9A.20.021(3), as now enacted or hereafter amended. For purposes of this section, repeat violation means either a prior committed finding by the Tukwila municipal court of an infraction issued under this chapter, or a committed finding by the hearing examiner of a notice of violation issued under Chapter 8.45 TMC, has occurred or has been committed by the same business, licensee, or person within a five-year period. To constitute a repeat violation, the violation need not be the same violation as the prior violation.

D. Injunction. In addition to or as an alternative to any other enforcement or penalty provided for in this chapter, and because a violation constitutes an actual injury to the community, the City may seek injunctive or other equitable relief to prevent any activity in violation of this chapter.

E. Any license fee or penalty due, unpaid, and delinquent under this chapter shall constitute a debt to the City. The City may, pursuant to Chapter 19.16 RCW, use a collection agency to collect unpaid license fees or penalties, or it may seek collection by court proceedings, which remedies shall be in addition to all other remedies.

Section 15. Regulations Established. A new TMC section 5.04.140 is hereby established to read as follows:

5.04.140 License Does Not Indicate Legality of Business

The issuance of a license pursuant to this chapter shall not be evidence of the legality of a business or that such business is conducted in conformity with any laws or regulations of the City of Tukwila, the State of Washington, or the United States. The issuance of a business license shall not prevent the City, the State of Washington, or the United States from taking any action relating to the conduct of the business or the licensee, including but not limited to an action to revoke the license or deny an application for a future license, an action to cause the cessation of the business, or any action set forth in this chapter.

Section 16. Regulations Established. A new TMC section 5.04.150 is hereby established to read as follows:

5.04.150 Administration

A. The Director shall have general charge of, and supervision over, the administration and enforcement of this chapter.

B. The Director may call upon other City departments to aid in the enforcement of this chapter.

C. The licensee shall, upon reasonable request, provide or allow the Director to inspect relevant documentation and/or to inspect places of business for verification of the requirements of this chapter.

Section 17. Corrections by City Clerk or Code Reviser Authorized. Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance numbering and section/ subsection numbering.

Section 18. Severability. If any section, subsection, paragraph, sentence, clause or phrase of this ordinance or its application to any person or situation should be held to be invalid or unconstitutional for any reason by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining portions of this ordinance or its application to any other person or situation.

Section 19. Effective Date. This ordinance or a summary thereof shall be published in the official newspaper of the City and shall take effect and be in full force within five days after passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this _____ day of _____, 2025.

ATTEST/AUTHENTICATED:

Andy Youn-Barnett, CMC, City Clerk

Thomas McLeod, Mayor

APPROVED AS TO FORM BY:

Filed with the City Clerk: _____

Passed by the City Council: _____

Published: _____

Effective Date: _____

Ordinance Number: _____

Office of the City Attorney



2026 City Business License Model Threshold update

Effective January 1, 2026

What are the main changes to the model threshold?

The main change in the update would make a one-time increase to a higher threshold to \$4000 for out-of-city businesses from the current \$2,000 threshold, effective January 1, 2026.

Other changes include:

- Every four years thereafter, the threshold would have an automatic periodic increase based on cumulative inflation.
- The rates of inflation would be calculated using the Consumer Price Index-U (CPI-U) Western for June of each year compared to the previous year for the previous four years.
- The rate of inflation would be calculated as zero in any year in which inflation was negative and capped at 5% per year or 20% over four years if inflation exceeded those amounts.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest \$100.

Could my city still require a no fee registration for out-of-city businesses below the threshold?

Cities retain the local option of requiring a no-fee registration for out-of-city businesses below the threshold.

Was the definition of “engaging in business” changed?

No, the definition of engaging in business has not changed since the 2018 model was adopted.

What are the deadlines for all cities with business licenses to adopt the 2026 model threshold?

Cities with a business license **must** adopt the model by **January 1, 2026**.

However, cities that currently partner with the state’s Business Licensing Service (BLS) for business licensing administration must adopt it by mid-October 2025, because they must **provide BLS 75-day notice** of any changes to their business licenses, including this mandatory change.

What if my city has a higher threshold?

Cities can choose to enact a higher threshold. The \$4,000 city threshold for out-of-city businesses is the minimum level that every city must enact.

What if my city wants to have a threshold that applies to in-city businesses in addition to the out-of-city business threshold?

The \$4,000 threshold level for out-of-city businesses is a mandatory minimum threshold that every city business license city must adopt, but the law does not impact the city’s authority to have exemptions or other thresholds.

Cities can continue to require a license for businesses located in the city without regard to the threshold (unless the city chose to exempt these businesses).

Cities can also choose to enact a separate threshold exemption that applies to in-city businesses.

Who should my city notify when the model is adopted?

BLS partner cities: Send a completed Change Request Form to BLS notifying them of the update
All other cities: Email Sheila Gall, AWC (sheilag@awcnet.org) so we can track updates.

How will businesses find out about the changes?

Consider providing information on changes to your business license by adding information to your license renewal letter, sending a letter to your potentially impacted businesses, updating information on your city’s website or presenting to your local chamber.

Background on the 2018 model threshold

In the 2017 session, EHB 2005 (RCW 35.90) passed requiring three actions by cities with business licenses and local B&O taxes. The law required cities to make changes to business licensing, including requiring cities with business licenses to establish a workgroup to create a model business license threshold by July 2018 for adoption by all business license cities by January 1, 2019.

**2018 model ordinance for local business licenses
– minimum threshold**

The 2018 model included a mandatory definition of “engaging in business” and a \$2000 minimum threshold (or occasional sale) exemption to establish when out-of-town or transient businesses are required to be licensed. All business license cities adopted the model by January 1, 2019 (RCW 35.90.080).

Contact

Sheila Gall

General Counsel

sheilag@awcnet.org

wacities.org

City Business License Model Ordinance

1. Outline of Changes to Business License Model Ordinance

- Effective date to January 1, 2026.
- One-time increase to a higher threshold to \$4,000 for out-of-city businesses.
- Combined with an automatic periodic increase four years later based on cumulative inflation. The rate of inflation would be calculated as zero in any year in which inflation was negative and capped at 5% per year or 20% over four years if inflation exceeded those amounts.
- The rates of inflation would be calculated using the Consumer Price Index-U (CPI-U) Western for June of each year compared to the previous year for the previous four years.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest \$100.
- Cities that partner with the state's Business License Service would need to update their ordinance in time to provide 75-days' notice to the Department of Revenue of the change. Cities that partner with File local would need to notify them of an expected system change by August.
- Cities would retain the local option of requiring a no-fee registration for out-of-city businesses below the threshold and the local option of imposing a higher threshold than the model minimum threshold.

2. Changes to Model Threshold

The 2018 model is amended to include the threshold change effective January 1, 2026.

Model business license threshold options: (cities would adopt one of the options effective January 1, 2026)

1. **Threshold Exemption Option:**

To the extent set forth in this section, the following persons and businesses shall be exempt from the registration, license and/or license fee requirements as outlined in this chapter: (1) Any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the city is equal to or less than \$2,000 [or higher threshold as determined by city] and who does not maintain a place of business within the city shall be exempt from the general business license requirements in this chapter. The exemption does not apply to regulatory license requirements or activities that require a specialized permit.

Beginning January 1, 2026, the threshold amount is \$4000 [or higher threshold as determined by city]. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index ("CPI") for "West Urban, All Urban Consumers" (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight month) CPI increase using each 12-month period ending on June 30 of each prior year, and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight-month period, a zero (0) percent increase will be used in computing the annual basis.

2. **Threshold with Fee-free License/Registration-only Option:**

For purposes of the license by this chapter, any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the city is equal to or less than \$2,000 [or higher threshold as determined by city] and who does not maintain a place of business within the city, shall submit a business license registration to the Director or designee. The threshold does not apply to regulatory license requirements or activities that require a specialized permit.

Beginning January 1, 2026, the threshold amount is \$4000 [or higher threshold as determined by city]. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index ("CPI") for "West Urban, All Urban Consumers" (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight month) CPI increase using each 12-month period ending on June 30 of each prior year, and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight-month period, a zero (0) percent increase will be used in computing the annual basis.

[Note: City would list this fee-free license in its business license rates section as \$0 or no fee.]

3. **Background Information**

- Model threshold was required by 2017 legislation ([RCW 35.90.080: Adoption of model ordinance](#)) to address out-of-city licensing/delivery concerns.
- 2018 final recommendation was \$2000 for out-of-city businesses, with option to require no-fee registration only requirement below threshold.
- Changes must be adopted by cities with same effective date (RCW 35.90.080(1)(c)).
- Model cannot be updated more frequently than every 4 years.