

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
FAS	Joseph Cunha/3-7820	Dave Hennes/4-0537

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the business license tax; repealing business license standards for periods prior to 2008; amending apportionment provisions to reflect amendments to the model business license tax ordinance and other state amendments; amending Sections 5.45.081, 5.45.082, and 5.45.090 of the Seattle Municipal Code; and repealing Section 5.45.080 of the Seattle Municipal Code.

#### **Summary and background of the Legislation:**

During the 2019 regular session, the Washington State Legislature enacted SHB 1403, which modified the apportionment formula for local business and occupation tax as codified in RCW 35.102.130, by: (1) simplifying the service income factor by adopting a market-based sourcing hierarchy; (2) providing for income to be excluded from the denominator of the income factor that is attributable to a jurisdiction where the taxpayer would not be subject to tax; and (3) establishing guidelines for the application of an alternative apportionment method.

A committee of city representatives worked with the Association of Washington Cities to amend the model ordinance section that allocates and apportions gross income and to incorporate the legislative changes of SHB 1403.

The City requires the allocation and apportionment of income under SMC Section 5.45.081 when activities take place in more than one jurisdiction, and this legislation updates SMC 5.45.081 to comply with the changes to the model ordinance. The legislation also makes some technical corrections in SMC 5.45.081, 5.45.082, 5.45.090, and repeals SMC 5.45.080, which allocated and assigned income for periods prior to January 1, 2008, before the adoption of the model ordinance.

Under RCW 35.102.040, cities that impose a business and occupation tax must adopt the mandatory provisions of the model ordinance by January 1, 2020. Accordingly, the bill adopts the model ordinance as required by RCW 35.102.040. The bill also makes some minor and technical changes to the City's Assignment of revenues and exemptions.

### **2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?** \_\_\_ Yes \_\_\_X\_\_\_ No

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**    \_\_\_ Yes X No

**Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**  
None.

**Is there financial cost or other impacts of *not* implementing the legislation?**

Yes. Under RCW and 35.102.140, cities that impose a business and occupation tax must adopt the mandatory provisions of the model ordinance. A city that does not comply with the model ordinance, may not impose a tax on the privilege of engaging in business activities in the City. The City of Seattle projects B&O tax revenues of approximately \$297 million in 2020. If this legislation is not approved prior to January 1, 2020, the City would lose a portion of this revenue for the period beginning January 1, 2020 up until it adopts the mandatory provisions of the model ordinance.

#### **4. OTHER IMPLICATIONS**

- a. **Does this legislation affect any departments besides the originating department?**  
No.
- b. **Is a public hearing required for this legislation?**  
No.
- c. **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
No.
- d. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
No.

e. **Does this legislation affect a piece of property?**  
No.

f. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

This legislation does not impact vulnerable or historically disadvantaged communities. Under current law, the City requires the allocation and apportionment of income when activities take place in more than one jurisdiction. The adoption of the model ordinance provisions in this bill will make it easier for businesses to utilize the two-factor municipal B&O tax apportionment formula, and there will be predictable and uniform laws for persons doing business in multiple cities. To the extent that businesses in vulnerable or historically disadvantaged communities engage in the allocation and apportionment of income when activities take place in more than one jurisdiction, this bill will simplify those transactions.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

N/A

**List attachments/exhibits below:**