SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
OCF	Joseph Cunha	Richard Dadzie

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to taxation; increasing the threshold above which an out-of-city business must obtain a business license tax certificate, pursuant to changes in the state model ordinance on general business license requirements; and amending Section 5.55.030 of the Seattle Municipal Code.

Summary and Background of the Legislation: The City requires all persons engaging in business in the city to obtain a business license and to obtain a business license tax certificate, unless exempt. SMC 6.208.010; SMC 5.55.030. RCW 35.90.010(4) defines both the business license and the business license tax certificate as “general business licenses” subject to a mandatory, minimum threshold. This minimum threshold relieves businesses that are not located in the city and that conduct only a small amount of business in the city from the obligation of obtaining a business license and a business license tax certificate. This bill increases the annual minimum business license threshold in the City of Seattle from $2,000 to $4,000 and includes an automatic periodic increase based on cumulative inflation.

During the 2017 regular session, the Washington State Legislature enacted EHB 2005, codified as chapter 35.90 RCW. By enacting EHB 2005, the Legislature intended to improve the business climate in the state by simplifying the administration of municipal general business licenses. Section 8 of EHB 2005 required cities to work through the Association of Washington Cities (AWC) to develop a model business license threshold. EHB 2005 required the cities to focus on determining a threshold above which a city would require an out-of-city business to obtain a license. The bill required input from the business community. As required by RCW 35.90.080, the AWC convened a task force of city business license officials to draft a model ordinance to implement consistent city business licensing standards, including the model business license threshold.

In response to business community concerns about the level of the business license threshold initially proposed by Washington cities, the AWC committee proposed doubling its threshold level to $2,000 per year in the city for businesses without a location in the city. At that time, the AWC committee also agreed to review the threshold level in four years, which would coincide with the cities’ review of the B&O tax model ordinance. During this four-year time period, cities could develop more information about the impacts of the amended business license threshold.

Under RCW 35.90.080(2)(b), cities that impose a general business license must adopt a uniform minimum licensing threshold under which a person is relieved of the requirement to obtain a city's general business license and/or a business license tax certificate. Further, Washington cities agreed to review the minimum business licensing threshold and amend it according to information received regarding the impacts of the business license threshold on the business community. Accordingly, consistent with all Washington State cities who impose a business license, effective January 1, 2026, this bill increases the minimum business license threshold in the City of Seattle from $2,000 to $4,000 and

- Effective every four years thereafter, the threshold will automatically increase in an amount based upon 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 will be calculated as zero in any year in which inflation is negative.
- The rate of inflation will be capped at 5% per year or 20% over four years if actual inflation exceeds those amounts.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest $100.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ **Yes** ☐ **No**

	2026	2027 est.	2028 est.	2029 est.	2030 est.
Expenditure Change ($); General Fund					
Expenditure Change ($); Other Funds					

	2026	2027 est.	2028 est.	2029 est.	2030 est.
Revenue Change ($); General Fund	($3650)	($3650)	($3650)	($3650)	($3650)
Revenue Change ($); Other Funds					

	2026	2027 est.	2028 est.	2029 est.	2030 est.
Number of Positions					
Total FTE Change					

3.a. Appropriations

☐ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

☒ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2026 Revenue	2027 Estimated Revenue
General Fund 00100		Business & Occupation Tax	($3650)	($3650)
		TOTAL	**($3650)**	**($3650)**

3.c. Positions

☐ **This legislation adds, changes, or deletes positions.**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

Under RCW 35.90.080(2)(b), cities that impose a general business license must adopt a uniform minimum licensing threshold under which a person is relieved of the requirement to obtain a city's general business license. A city that has not complied by enacting an ordinance adopting the uniform minimal licensing threshold may not enforce its general business licensing requirements on any person until the date that the mandatory provisions of the model ordinance take effect within the city.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.
Please see above.

Please describe how this legislation may affect any City departments other than the originating department.
N/A

4. OTHER IMPLICATIONS

a. Is a public hearing required for this legislation?
No.

b. Is publication of notice with The Daily Journal of Commerce and/or The Seattle Times required for this legislation?
No.

c. Does this legislation affect a piece of property?
No.

d. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

This council bill does not directly impact historically disadvantaged communities. However, under current law, all persons engaging in business in the City must obtain a business license and a business license tax certificate. Increasing the City of Seattle business license threshold from $2,000 to $4,000 will relieve businesses that are not located in the City and that conduct only a small amount of business in the City from the obligation of obtaining a business license and a business license tax certificate. Further, all Washington cities that issue business licenses must adopt the increased business license threshold. Persons doing business in multiple cities will continue to benefit from a predictable and uniform business license threshold.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.
N/A

iii. What is the Language Access Plan for any communications to the public?

The Office of City Finance will undertake public outreach, provide updated business license threshold information on its website and will promulgate an amended Director's Rule that will reflect the amended business license threshold. Further, the city will make the information contained in this document available in a number of languages.

e. Climate Change Implications

i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**
N/A

ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
N/A

f. 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)? What mechanisms will be used to measure progress towards meeting those goals?
N/A

g. Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?
No.

5. ATTACHMENTS

Summary Attachments: None.