

**B&O and Licensing Task Force  
Meeting Minutes  
Friday, May 27, 2016  
Department of Revenue – Tacoma Field Office**

**Attendees**

- Marcus Glasper, Chair, Department of Revenue (Department)
- Andy Cherullo, City of Tacoma
- Mark Johnson, Washington Retail Association (WRA)
- Peter King, Association of Washington Cities (AWC)
- Patrick Connor, National Federation of Independent Businesses (NFIB)
- Glen Lee, FileLocal
- Ron Bueing, Association of Washington Business (AWB)
- Kim Krause, City of Burien
- Eric Lohnes, Association of Washington Business (AWB)
  
- Patti Wilson, Department of Revenue(staff)
- JoAnne Gordon, Department of Revenue(staff)

**Task Force Charter**

*Discussion by Marcus Glasper:*

Marcus explained that the draft charter was edited to incorporate planning meeting comments that the Department felt enhanced the charter. Marcus walked the task force through the charter and noted the additions and changes:

- Minority report may be generated.
- Specific topics identified under charter scope.
- For voting purposes, majority vote defined, explained interim votes and final votes with the ability to revisit options and have a final vote if necessary.
- A task force member may provide a voting proxy to another member as a way to handle task force operations.
- No alternate task force members were added because the task force needs to keep moving through the process and there would be difficulty with bringing substitutes up to speed. In addition, substitutes will not have signed the charter.
- Representatives for cities have concerns about the Department participating as a voting task force member. The Department believes that it is a key stakeholder and believes that it should have a voice on those issues that will affect the Department. For issues that do not affect the Department, there is the potential for the Department to abstain.

*Task force discussion concerning alternates and proxies:*

The cities reiterated their desire to allow alternates to attend in the place of the official representative. It would be the representative's responsibility to ensure the alternate is up to speed and that alternates could also sign the charter if need be. There is concern that one person could have three proxies if we only limit it to giving proxy to members of the task force.

The business representatives noted that not all business representatives have staff that could attend meetings if needed. There was concern about whether the alternate should be a member of the same representative organization and maintaining consistency with the legislation. Amenable to allow participation by alternates provided that the group can revisit the policy if it doesn't work.

*Conclusion:*

Task force members agreed that a task force representative may designate an alternative, but must provide 24-hour advance notice to the chair via email. The charter will be amended to allow for this change.

*Task force discussion concerning scope:*

The city representatives believe that discussion of information sharing should be discussed sooner rather than later and were concerned that the charter was not edited to reflect this desire. Marcus explained that the charter does not dictate the order of topics. Part of the facilitation process will be for the task force to vote on topics to be addressed during the next meeting.

*Task Force Discussion concerning guiding principles:*

The city representatives want the charter to include guiding principles, such as maintaining local control, maintaining revenue streams, administrative burden, etc. Guiding principles will help guide discussions for pros and cons and save time.

Marcus explained that the cities' request on this issue was considered. However, there are questions about the use of such principles; whether the task force could come to consensus; and whether such principles would constrain ideas. Marcus explained that he will use the Nominal Group Technique for facilitation. All ideas will be noted and vetted for advantages/challenges and how to address the challenges. With the suggestion of tabling the suggestion and delaying charter signature, Marcus noted that a charter is meant to help guide the group but is not required by the bill.

The business representatives believe that the guiding principles will constrain the group, will not be efficient, and will take too much time to develop.

*Conclusion:*

The task force moved ahead with the day's agenda and will later determine if guiding principles may be advantageous.

*Task force discussion concerning voting:*

The city representatives questioned the process for interim and final votes.

Marcus went through the facilitation process and what's behind each step. The task force will vote when a majority of the representatives are ready to vote.

**Task Force Ground Rules**

Representatives are asked to text Patti if they will arrive late to meetings due to traffic. Patti will provide her cell phone number when she sends the meeting documents.

There was no further discussion about ground rules.

### **Meeting Schedule/Locations**

Meetings will generally occur at the Department's Tacoma field office. Summer scheduling is tight but appears to ease for August, September and further out. Need one more person's schedule before staff can schedule meetings for June and beyond.

### **Licensing Overview (Business Licensing Service Perspective)**

Patti provided overview and history of Business Licensing Service (BLS) and fielded questions.

#### *Points clarified during overview:*

- The city of Bellevue is a partner with FileLocal; however, is still currently a partner with BLS until the Department transitions to its new licensing system (ATLAS) on June 6, 2016. Bellevue will not transition to the new system.
- The regulatory license/endorsements vary from city to city, but the business license is a basic requirement. Example is that the city of Seattle may reject various endorsements but will not reject the business license.
- State tax registration may be revoked for nonpayment of taxes.
- Each city has its own requirements/process for approving licenses and endorsements.
- BLS is credit card PCI compliant.
- ATLAS will apply GIS validation if a business has an address in a city. Currently, if a business does not apply for a city partner business license, the city receives a monthly report identifying such businesses. The city must determine if business must obtain that city's license.
- BLS does not hold up the issuance of licenses/endorsements pending approval of all that a business may apply for. The license document is updated as partners approve licenses/endorsement. The new ATLAS will allow businesses to print their license document on-line.
- ATLAS will have a feature for consumers to verify business registration/licenses/endorsements.

#### *Further clarification needed:*

- How does BLS determine one renewal date for all licenses? Are license fees prorated to establish one renewal date?
- What percentage of applications and renewals are denied by partners with BLS?
- What happens when ATLAS redirects corporations to the Secretary of State's office that are not required to register with the Secretary of State? An example is an out-of-state corporation that is subject to tax because they have economic nexus but the corporation does not have a physical presence.

### **Licensing Overview (FileLocal Perspective)**

Jamie Carnell presented an overview and history of FileLocal. Glen Lee and Jamie fielded questions.

FileLocal is the on-line filing system for Seattle, Bellevue, and Tacoma. Everett will come on line in July. FileLocal is a pass through of information to the cities.

*Points clarified during overview:*

- FileLocal cities represent 90 percent of all local B&O tax paid.
- Cities may issue provisional licenses depending on the individual city's process. FileLocal system has secure messaging for when cities require time to process.
- FileLocal does not currently issue a state license. Each FileLocal city issues separate license because each city's format is different.
- A city may be a subscriber if it has a business license and does not impose a local B&O tax.
- \$4 user fee applies for each city.
- \$4 fee represents 20 percent of FileLocal costs. The other 80% is paid by the cities based on the number of transactions. Seattle pays the most because they have the most transactions. Seattle's annual FileLocal budget is \$1 million.
- FileLocal board currently has four members – one member for each city. Each new member city automatically gets a seat on the board, up to 15 board members. There are separate subscriber members.
- To bring additional cities into FileLocal takes approximately three months. This time is necessary for IT interface programming, security, and performance testing.
- FileLocal anticipates bringing in additional cities in groups by region.
- There are 43-44 cities that impose a local B&O tax.
- Twelve cities are interested in joining FileLocal.
- The city of Spokane partners with BLS for business license issuance its license is based on a per employee fee also known as a head tax.
- FileLocal has no intent to compete with the Department of Revenue.
- FileLocal has a series of screens. Common questions are asked up front and then there are screens for less common questions.
- With ATLAS, there is potential for data interchange between BLS and FileLocal. The intent is to figure out how to make things work with added ATLAS capability.

*Further clarification needed:*

- What percentage of businesses obtaining a license from a FileLocal city also need to obtain a license from a non-FileLocal city? Answer may not be known.

**Licensing Overview (Non-FileLocal Cities Perspective)**

Kim Krause presented an overview and fielded questions.

220 out of 280 cities have business licensing. Non-FileLocal and non-BLS cities issue their own licenses for various reasons. It provides the option to apply via mail or at city hall as opposed to online. It allows cities to build relationships with businesses when they file for a license in person. Burien issues licenses within 48 hours and allows contractors to get permits when they apply for a license.

There are various fee structures (e.g. one time, employee based, and square footage) and renewal/nonrenewal. Application may trigger other controls (economic development, fire inspection, etc).

*Points clarified during overview:*

- Tukwila imposes a \$67 license fee per FTE, but does not impose a B&O tax. Redmond and Kirkland impose similar fees between \$90 – \$100 per FTE.
- Do cities generally require local presence for city license and what about itinerant services? Kim spoke to Burien's experience.
- Burien has plans for on-line application for licenses and uses a contractor for B&O tax and licensing.

### **Business Perspective**

Patrick Connor presented.

Questions for small businesses include:

- How to register/obtain a license in a fast and efficient way.
- How many visits are required before a business license is required without a physical presence.
- How to quickly and easily find out the rules.

There was discussion concerning:

- The ease of on-line licensing. How many cities have an on-line application process in addition to a mail-in or walk-in process?
- An assumption that businesses look to Department of Revenue first and stop there with the licensing information found at the state level.
- How can folks know they've done what they need to?
- Whether the problem is data organization that can be solved with a website presence.
- The one-stop portal, Washington BusinessHub or Biz Hub, for which the Office of the Chief Information has oversight. The task force would like to have a presentation. Marcus and others are on steering committee, which meets monthly. Biz Hub is currently working on business case scenarios to figure out how to optimize the experience. Biz Hub is striving for seamlessness, for which much depends on budget and key players systems.
- A request for summary of earlier bills sponsored by Sen. Brown. Portal bills address integrating state agencies only with a budget of \$1.7 million.
- The potential for new opportunities as a result of agencies bringing on new systems. Business doesn't care who administers licensing as long as business can be sure they're meeting their obligations.
- A desire that when reporting local sales tax, the systems tells the business what the requirements are for that jurisdiction.

## **Group Brainstorm**

The following is the general discussion surrounding potential options (a table appears at the end of this document):

- **Require cities that have licensing requirements to join FileLocal or BLS.**
- **Provide a robust information site.**
- **Require all cities with licensing requirements to license through BLS.**
- **One-Stop Shop for licensing.**

## *General Discussion*

- Due to the need to integrate different systems, programming, and requirements, it takes time to bring new cities into FileLocal or BLS. For FileLocal, can take up to 3 months. For BLS conservative estimate is 30 days. Integration is for one city at a time. BLS currently has 68 partners and 16 cities are in the queue to join.
- Discussion about interfaces and whether it matters as long as it's standardized. The Department has concerns about the ability for a seamless interface with FileLocal. There must be an ability to populate for all requirements to provide for true one-stop licensing data transfer. Inability to populate for all questions/requirements of the cities BLS partners which means that businesses will have to come back to BLS/ATLAS and incur the \$19 fee before they can finalize all licensing requirements if they choose to register with FileLocal first. Requires a technical conversation and mapping between the Department and FileLocal.
- FileLocal contracts with Egov Systems for data interchange for licensing and tax.
- FileLocal did not aggressively pursue other cities' participation to avoid large scale failure. FileLocal had to go through a complete cycle to ensure system worked as required. FileLocal has a five-to-ten year projection for the number of cities it can bring on board.
- Robust information site may be interim step before a one-stop solution.
- Under grant or contract with the state, AWC prepared contrast of city and license information on Access Washington site, but that information is now outdated.
- AWC has previously produced Tax and Fee User Survey to identify common business license questions and would consider adding questions to future surveys.
- Discussion about difference between license and registration and B&O tax. FileLocal wants to tailor its efforts for cities that impose a B&O tax, which provides added value because local B&O tax is more complex than licensing and renewals.
- Discussion ensued about who would be the likely organization to maintain an information site, including a thought of whether business organizations could monetize a robust information site.

## **Closing Comments**

For the next meeting, the group discussed:

- Getting a high-level executive summary of current status of the BizHub project by WATech.
- Nexus as the potential next topic and what is needed to describe the current state:
  - What do cities use as bright line for requirement to file, such as the number of days in a city, the number of deliveries, etc?
  - Explanation of economic nexus at state level.

- Presentation about the Model Ordinance:
  - Interpretation of the model ordinance by businesses and cities.
  - Thresholds.
- Potential business presentation on options of what businesses would like to see.
- Potential matrix compilation of local options that have been adopted, if available.

DOR will work with the city and business representatives to determine what information will be useful and further clarify the current state presentations regarding nexus.

Options	Advantages/Opportunities	Challenges	Strategies to Address Challenges
<b>Require cities that have licensing requirements to join FileLocal or BLS</b>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Provide a robust information site</b>	<ul style="list-style-type: none"> <li>• 24-hour access for business owners</li> <li>• Channel for cities and state to communicate changes</li> <li>• Helps businesses on the path to avoiding errors by omission</li> <li>• Increased compliance</li> <li>• Avoidance of penalties for not doing the right thing or enough</li> </ul>	<ul style="list-style-type: none"> <li>• Ownership</li> <li>• Responsible party</li> <li>• Content decisions?</li> <li>• Depth of robustness</li> <li>• Maintenance</li> <li>• Resources</li> <li>• Cities provide information vs organizers that research</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Require all cities with licensing requirements to license through BLS</b>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>One-Stop Shop for licensing</b>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>