

**B&O and Licensing Task Force
Meeting Notes
Thursday, June 30, 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)
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- Patti Wilson, Department of Revenue(staff)
 - JoAnne Gordon, Department of Revenue(staff)

Welcome/agenda overview

Task force charter

Discussion by Marcus Glasper:

Marcus covered agreed to changes from 5/27 meeting.

Task force discussion:

There was concern about lack of guiding principles. At the May 27 meeting there was no agreement reached and the discussion was tabled. It was noted at the previous meeting and reiterated that principles would come out in discussion about advantages and challenges.

City representatives are concerned that once the charter is signed that there may not be any future opportunity to discuss guiding principles. It was shared that the cities have come up with a list of guiding principles. Some felt it would be difficult to come to an agreement on guiding principles in the charter. They may be of help in tie-breakers.

Alternates will not be required to sign the charter as the group decided that there did not need to be a particular named alternate just that they are allowed. Only official task force members will sign the charter.

Conclusion:

Marcus passed the charter around for signatures. Seven of the nine members signed the charter. Two city representatives declined to sign the charter at this time.

Prior meeting follow up

Sent Biz Hub report out via email – didn't receive any questions from report.

Patti answered two questions regarding BLS from the last meeting:

Q: How does BLS “sync up” renewal dates when issuing licenses?

A: The first renewable state endorsement that is applied for becomes the renewal date for all endorsements. BLS also syncs up all the locations under a single UBI number to have the same renewal date.

Q: What percentage of city business license renewals does BLS deny?

A: BLS doesn't approve or deny any licenses, endorsements, or renewals. The program collects information and processes the information but does not approve or deny. City endorsements are not passed to the cities for approval or denial for renewals if nothing has changed. Once the business logs in and pays for the city endorsement renewal the process is complete. Some state endorsements may require review prior to renewal such as a liquor license.

Discussion:

What happens if a business doesn't renew with Revenue? The tax registration isn't renewable, once issued it is good until closed by taxpayer or by Revenue as part of our collection action.

Who does the enforcement for city licenses (such as failure to renew)? Enforcement is handled by the cities; BLS provides access to reports showing which businesses failed to renew their city endorsement. The only 'enforcement' BLS does is to collect NSF or other payment issues. BLS sends payments to partners at a minimum of twice per week.

Are previous year's fees collected in the case of non-registration? Revenue will back date the open date for purposes of tax registration. Again it would be up to the partners to determine if fees are owed for prior years.

Comments on 5/27 notes:

There is a typo in the notes, the word NOT should be added to the phrase, “a charter is not required by legislation.”

Timing for bringing on new cities

- FileLocal – 3 months because this includes interfaces with city systems
- BLS – new system stabilization period of 90 days before new partners will be added. Revenue believes that it will initially take 30 days.

There was discussion about whether the minutes should be brought to group for approval. Marcus asked that any errors in the minutes be sent to Patti as soon as possible so they can be corrected and re-sent.

It was recommended that action items include the name of the assigned person.

A request was made and it was agreed to that the agenda include what votes will be taken at the meeting.

Licensing brainstorm (continued from 5/27 meeting)

See chart below.

Additional discussion:

Glen suggests a process engineering study/survey for what cities use their business licenses for information purposes. An increase of the fee for cities to manage the change in their processes would be helpful. In order to understand processes and implementation challenges to bring on over 100 cities, it would be helpful to know what the different licensing models that are being used.

Model Ordinance overview including nexus

Sheila Gall, AWC – Provided an overview of the history of the model ordinance.

Joseph Cunha, Seattle – Went over the purpose to promote consistency, uniformity, and eliminate multiple taxation by cities.

Danielle Larson, Tacoma – Explained the nexus guidelines the cities must follow.

State nexus overview

David Hesford and Atif Aziz, Revenue - provided an overview of how nexus works at the state level.

Business perspective on nexus

Ron Bueing

- Commerce Clause – to Congress
- Due process – am I *purposefully* directing activities to the jurisdiction

At the end of the day, businesses would like to see a bright line and realistic rules

- Problem for business when you talk about one visit to one city
- Concerns have more to do with thresholds and levels
 - What is it?
 - What's enough – one visit, one time in four years?
 - Not just legal minimum – what is realistic?
 - Delivery & any activities performed
 - Services to property that may be beyond local area (requirement to register in a city may extinguish what's made for providing the service)
 - Protections for registration – B&O tax already has

Homework for next meeting and wrap-up

The next topic will be apportionment. Presentations will be given on the current state for cities, state, and business perspective.

The licensing discussion will continue.

Questions

Question	Answer	Assigned to
<p>What happens when someone approaches city for list of businesses in jurisdiction? Can cities generate an on-demand report? Is this happening?</p>		Patti
<p>What is the delay for BLS to send info to cities, Peter has heard 20 days?</p>	<p>Patti explained that BLS suspended processing applications two weeks before the new system when live so there was a delay, also with the new system there is a learning curve and staff are working to get caught up on the backlog. Normally, cities will receive the application within 1-3 days.</p>	
<p>What happens with licenses that have zoning or other requirements?</p>	<p>Patti stated that BLS does not collect regulatory information for regulatory licenses for cities. It was done for Bellevue as one of the first cities to partner with the state. The work involved for the number of actual regulatory licenses issues wasn't economical. Many cities may only have one or a handful of businesses that require a particular regulatory license. Current partners have been fine with keeping the specialty regulatory licenses at the city level and not through BLS. The general city application would still come through BLS but it would be up to the city to contact the business to get the regulatory license application and fee.</p> <p>Zoning is handled at the city level and any information they need for zoning is determined through the on boarding process with BLS.</p>	
<p>What kind of on-going process improvement is going on for BLS? Is there a way to take the info to develop a template for cities interested in BLS or FileLocal (including lessons learned, cataloguing information, etc.)?</p>		Marcus
<p>Is there a way to identify what the problems are for cities that are already partnering with BLS?</p>	<p>Marcus stated BLS will survey partners on their experience with new system and to identify opportunities for improvement.</p>	
<p>Has it been an issue that some jurisdictions have a</p>		Patti

more complex process to approve than others and that we didn't program for these complexities?		
Click through nexus – has it generated a lot of additional money for the state?	Drew stated the state is working leads right now.	

Options	Advantages/Opportunities	Challenges	Strategies to Address Challenges
<p>Require cities that have licensing requirements to join FileLocal or BLS</p> <p><i>6/30 discussion</i></p>	<ul style="list-style-type: none"> • Everyone participating in one system that communicates for business license • Simpler for business compared to current process • More revenue for cities • Greater compliance for cities. • Easier to get necessary info to businesses upfront – ability to direct businesses where they need to go 	<ul style="list-style-type: none"> • Lack of direct customer service for smaller cities • Costly for smaller communities without some level of sophistication. BLS requires no back-end system is necessary unless city want to load info into their system. • Delays in responding to requests for list of businesses in certain jurisdictions because it’s DOR’s data • Understanding the different business models that the cities use. • People bandwidth to switch to new system • Lack of resources – money, people, infrastructure • Bandwidth for BLS/FileLocal to meet a drop dead implement date 	<ul style="list-style-type: none"> • Computer in lobby with availability of assistance from staff of small city • Increase BLS license fee to help local jurisdictions with infrastructure investment (no internet service or on dial-up service) • Process engineering/mapping for cities/or gather current city requirements • Knowing what the objections are to joining BLS or FileLocal. Jurisdictional readiness/interest assessment. • Voluntary migration as opposed to mandatory – provide incentives to cities to voluntarily migrate over time • Assistance from state as an incentive – strike team
<p>Provide a robust information site</p>	<ul style="list-style-type: none"> • 24-hour access for business owners • Channel for cities and state to communicate changes • Helps businesses on the path to avoiding errors by omission • Increased compliance • Avoidance of penalties for not doing the right thing or enough 	<ul style="list-style-type: none"> • Ownership • Responsible party • Content decisions? • Depth of robustness • Maintenance • Resources • Cities provide information vs organizers that research 	<ul style="list-style-type: none"> •
<p>Require all cities with licensing requirements to license through BLS</p>	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
<p>One-Stop Shop for licensing</p>	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

(Biz Hub launching pad)			
Status Quo (include safe harbors) <i>Note: need to determine if task force wants to include this option</i>	•	•	•