



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

P.O. Box 47454 • Olympia, Washington 98504-7454 • (360) 534-1600 • FAX (360) 534-1606

December 31, 2018

TO: Brad Hendrickson, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Vikki Smith, Director 
Washington State Department of Revenue

SUBJECT: Local Business Licensing Progress Report 2018-2019

The Department of Revenue (Department) prepared the attached report in compliance with RCW 35.90.020(8), which requires the Department to report on the progress of our efforts to partner with all cities that impose a general business license. Chapter 35.90 RCW requires Washington cities and towns with general business licenses to join a combined licensing system (either the Department's Business Licensing Service or the local online tax and licensing portal known as "FileLocal").

The Department is required to submit these annual progress reports to the Legislature beginning January 1, 2019, through January 1, 2028. The reports must include:

- A list of cities that have partnered with the Department as required in RCW 35.90.020(1);
- A list of cities that have not partnered with the Department;
- A list of cities that are scheduled to partner with the Department during the upcoming calendar year;
- A list of cities that have declined to partner with the Department;
- An explanation of lessons learned and any process efficiencies incorporated by the Department;
- Any recommendations to further simplify the issuance and renewal of general business licenses by the Department; and
- Any other information the Department considers relevant.

Brad Hendrickson
Bernard Dean

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If you have any questions or need the report in an alternate format, please contact David Duvall, Legislative and External Affairs Liaison, Executive Division, at (360) 534-1545.

Attachment

cc: Keith Phillips, Director of Policy, Office of the Governor
Drew Shirk, Executive Director, Legislative Affairs, Office of the Governor
David Schumacher, Director, Office of Financial Management
Roselyn Marcus, Assistant Director, Office of Financial Management
Dean Carlson, Senior Budget Assistant, Office of Financial Management

Local Business Licensing Progress Report

*Report prepared under RCW 35.90.020
December 2018*

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SUMMARY

The January 1, 2019, Business Licensing Progress Report was prepared by the Department of Revenue (Department) to comply with [RCW 35.90.020\(8\)](#). The law requires:

- A list of cities that have partnered with the Department as required in [RCW 35.90.020\(1\)](#);
- A list of cities that have not partnered with the Department;
- A list of cities that are scheduled to partner with the Department during the upcoming calendar year;
- A list of cities that have declined to partner with the Department;
- An explanation of lessons learned and any process efficiencies incorporated by the Department;
- Any recommendations to further simplify the issuance and renewal of general business licenses by the Department; and
- Any other information the Department considers relevant.

There are 281 incorporated cities and towns in Washington, but only 227 issue local business licenses. Of those:

- 82 currently partner with Business Licensing Service (BLS);
- Eight cities participate with the FileLocal portal for local business and occupation (B&O) tax collection and business licensing; and
- 137 cities are left to participate with either FileLocal by July 1, 2020, or BLS by December 31, 2022.

BLS Partnered Cities

BLS is partnered with 82 cities, reducing the license renewal workload for these cities and saving businesses time with a one-stop registration solution (see Appendix A for a complete list of BLS partnered cities).

In the initial January 2018 Local Business Licensing Partnership Plan, BLS was scheduled to partner with nine cities in Calendar Year 2018. However, BLS exceeded that goal by adding two alternate cities (Shelton and Yelm) in September 2018, bringing the total to 11 newly onboarded BLS cities in Calendar Year 2018.

BLS Non-partnered Cities

See Appendix B for a list of cities that are not currently partnered with BLS as of January 1, 2019.

BLS Scheduled Cities

BLS more than tripled onboarding capacity due to the staffing expansion that resulted from funding appropriated by the 2018 Legislature. Accordingly, BLS is scheduled to partner with 33 cities during the 2019 Calendar Year.

Calendar Year 2019

Quarter 1 (Jan.-March, 2019)	Quarter 2 (April-June, 2019)	Quarter 3 (July-Sept., 2019)	Quarter 4 (Oct.-Dec., 2019)
<ul style="list-style-type: none"> • Tukwila • Snohomish • Orting • Ridgefield • Black Diamond • Normandy Park • Darrington • Quincy 	<ul style="list-style-type: none"> • Burlington • Friday Harbor • Edmonds • SeaTac • Napavine • Castle Rock • Moses Lake • Cashmere 	<ul style="list-style-type: none"> • Airway Heights • Springdale • Cheney • Grandview • Tenino • Medical Lake • Toppenish • Granger • Oakville 	<ul style="list-style-type: none"> • Lynnwood • Woodway • Mountlake Terrace • Federal Way • Othello • Camas • Mercer Island • Wenatchee

Cities Declined to Partner

Nine cities have declined to partner with BLS.

As of January 1, 2019, these eight cities participate in the FileLocal portal: Bellevue, Bremerton, Everett, Lake Forest Park, Renton, Seattle, Shoreline, and Tacoma.

The City of Shoreline (BLS partner since March 2010) confirmed its intent to dissolve partnership with BLS as of January 1, 2019, in order to participate in the FileLocal portal.

The City of Kent previously agreed to begin its partnership with BLS in the third quarter of 2019. However, on March 15, 2018, Kent informed BLS it was leaning toward participating with FileLocal. As a result, the Department removed Kent from the August 7, 2018, revised [Local Business Licensing Partnership Plan FY 2018-2019](#).

Lessons Learned and Process Efficiencies

Process efficiencies were developed over the past year to enhance the partnership between BLS and local municipalities. The improvements include:

- A Welcome Packet is sent to the city upon completion of a signed partnership contract. The Welcome Packet includes a welcome letter from the Director of the Department of Revenue, an onboarding timeline, a list of reports that are available to the partner, a state

map that includes current and future city partners for the upcoming fiscal year, and a partnering brochure explaining the benefits of partnering with BLS.

- [City Partners website](#) was launched to convey relevant partnership information to cities in a timely manner.
- A new fee structure and a fee-exempt licensing endorsement were added to BLS’s suite of services to accommodate the different array of licensing structures enforced by cities.
- A BLS system enhancement was deployed allowing a higher percentage of existing city accounts to automatically convert into the BLS system. This helps reduce manual entry and mitigates the risk of error.
- Two training sessions were established for each new city partner. The first training session includes a system function overview, which occurs approximately a week before their “Go-Live” date. The second session occurs a week after their “Go-Live” and includes training on how to systematically review the applicant’s data for approval or denial and how to generate reports to aid in the cities’ regulatory work.
- Two check-ins with city staff were established at five months and four months prior to the city’s “Go-Live” date to help enhance communication and expectations between BLS and the city.
- A visual timeline was created to highlight the process flow and projected time it takes to partner with BLS (See Figure 1).

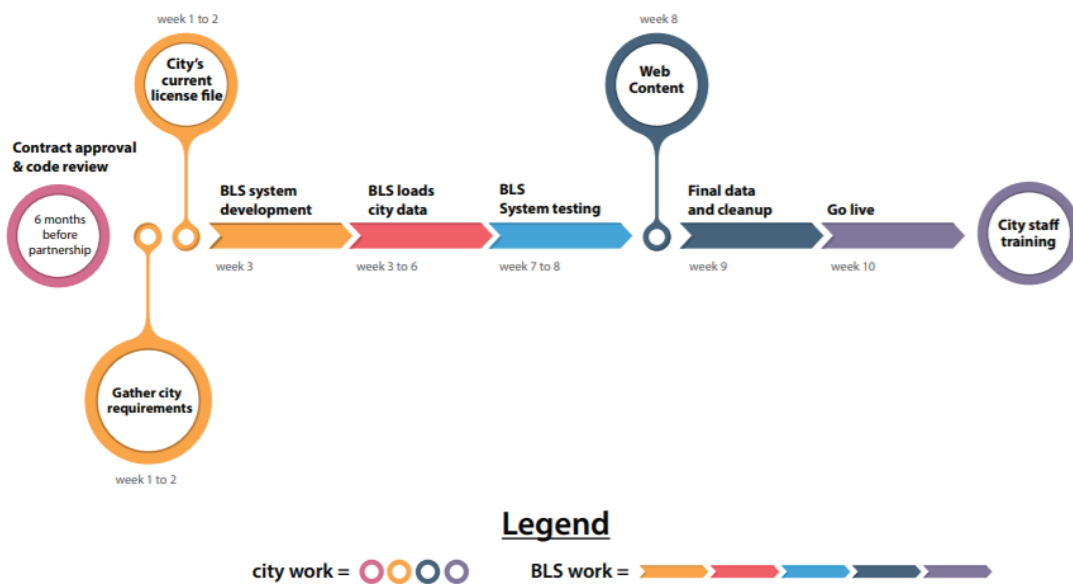


Figure 1: Sample timeline

Recommendations

To further simplify the issuance and renewal of general business licenses, the Department recommends:

- Onboarding new partners by geographical location. As required by the law, all cities that notified the Department of their wish to partner before January 1, 2017, and cities identified as alternates, were given preference to partner before other cities. Moving forward, the Department is taking a geographical approach in building the city-partner schedule. Many businesses, especially contractors, engage in business in multiple jurisdictions throughout the year. Onboarding neighboring cities will reduce confusion for business owners and aid in ensuring they are obtaining the necessary city licenses through a consolidated licensing process.
- Continue to add new licensing types and fee structures to expand BLS's suite of services offered, as resources allow. This includes the addition of a separate fee calculation for part-time and full-time employees, a common request by cities, which the Department will be adding at the end of March 2019.
- Enhance computer-based training (CBT) modules for city staff. The Department plans to provide updated CBTs to city staff later this year. On-demand training will help train newly hired staff and expand existing staff's knowledge of the Department's system. In turn, this will reduce confusion and provide the correct resources the city needs to decrease their approval time due to system knowledge gaps.

Relevant Information

Model Ordinance

- Under [RCW 35.90.080](#), a city that imposes a general business license requirement must adopt the mandatory provisions of the model ordinance by January 1, 2019, or the city cannot enforce its general business licensing requirement.
- BLS proactively collaborated with the Association of Washington Cities to ensure the cities of Washington were informed of the model ordinance requirements, including the mandatory "engaging in business within the city" definition.
- All BLS city partners were required to submit their Partner Change Request with their updated municipal code to the Department by October 17, 2018, per [RCW 35.90.070](#). This requirement was completed on schedule.
- BLS completed the necessary system configurations to accommodate the new model ordinance ahead of schedule in order to onboard our newest partners, the City of Yelm and the City of Kirkland, who adopted the new model ordinance in September and November 2018, respectively.
- System changes for the remaining 80 city partners will be deployed by the legislatively mandated deadline of January 1, 2019.

Appropriated Funding

- BLS was appropriated funding by the 2018 Legislature to accelerate city onboarding as part of [RCW 35.90.020\(1\)\(a\)\(iii\)](#).
- As a result, BLS will onboard its originally projected 14 cities and an additional 19 cities in Calendar Year 2019, for a total of 33 cities.
- In order to accommodate the accelerated timeline, BLS expanded its team of 8 to 16, which includes 2 onboarding teams working concurrently to onboard cities.

NEXT STEPS

Partnering Plan

By January 1, 2020, the Department will submit an updated partnering plan to the Legislature as required by [RCW 35.90.020\(4\)\(b\)](#). The two-year plan will include a list of cities that have agreed in writing to partner with BLS for the issuance and renewal of their general business licenses.

Annual Progress Report

By January 1, 2020, the Department will submit the annual progress report to the Legislature as required by [RCW 35.90.020\(8\)](#).

Appendix A

List of cities that are partnered with BLS as of January 1, 2019

* Partnered with BLS January to December 2018.		
Anacortes	Gold Bar	Poulsbo
Bainbridge Island*	Granite Falls	Prosser
Battle Ground	Ilwaco	Pullman
Bellingham	Issaquah	Puyallup*
Blaine	Kelso	Richland
Bonney Lake	Kenmore	Rockford
Bridgeport	Kennewick	Ruston
Buckley	Kirkland*	Sammamish
Carbonado	Lacey	Sedro-Woolley
Carnation	Lake Stevens	Sequim
Centralia*	Lakewood*	Shelton*
Chehalis*	Leavenworth	Skykomish
Clyde Hill	Liberty Lake	Spokane
College Place	Long Beach	Spokane Valley
Connell	Longview	Stanwood
Covington	Maple Valley	Sultan
Deer Park	Marysville	Sumner
DuPont	Millwood	Sunnyside
Duvall	Milton	Tumwater
East Wenatchee	Monroe	University Place
Eatonville	Mount Vernon	Vancouver
Edgewood	Mukilteo*	Walla Walla*
Ellensburg	Newcastle	Washougal
Enumclaw	North Bend	West Richland
Ephrata	Olympia	Woodinville
Fife	Pasco*	Yelm*
Fircrest	Port Orchard	
Gig Harbor	Port Townsend	

Appendix B

Cities that issue a general business license and are not partnered with BLS as of January 1, 2019

Cities that are active participants in FileLocal as of January 1, 2019		
Bellevue	Lake Forest Park	Shoreline
Bremerton	Renton	Tacoma
Everett	Seattle	

Other cities with a general business license that are not partnered with BLS		
<i>* Scheduled to partner with BLS during the 2019 Calendar Year</i>		
Aberdeen	Edmonds*	Mattawa
Airway Heights*	Electric City	Medical Lake*
Albion	Elma	Mercer Island*
Algona	Elmer	Mesa
Arlington	Entiat	Metaline Falls
Asotin	Everson	Mill Creek
Auburn	Federal Way*	Montesano
Benton City	Ferndale	Morton
Bingen	Friday Harbor*	Moses Lake*
Black Diamond*	George	Mossyrock
Bothell	Goldendale	Mountlake Terrace*
Brewster	Grand Coulee	Moxee
Brier	Grandview*	Naches
Bucoda	Granger*	Napavine*
Burien	Harrah	Nespelem
Burlington*	Hartline	Nooksack
Cashmere*	Hoquiam	Normandy Park*
Castle Rock*	Index	North Bonneville
Cathlamet	Kalama	Northport
Chelan	Kent	Oak Harbor
Cheney*	Kettle Falls	Ocean Shores
Clarkston	Kittitas	Omak
Cle Elum	La Center	Oroville
Colville	La Conner	Orting*
Concrete	Langley	Othello*
Cosmopolis	Lyman	Pacific
Coulee Dam	Lynden	Pateros
Darrington*	Lynnwood*	Pe Ell
Des Moines	Mabton	Pomeroy
Quincy*	South Prairie	Wapato
Rainier	Spangle	Warden
Raymond	Sprague	Waterville

Redmond	Springdale*	Wenatchee*
Republic	Steilacoom	Westport
Ridgefield*	Stevenson	White Salmon
Rock Island	Sumas	Wilbur
Roslyn	Tekoa	Wilkeson
Roy	Tenino*	Wilson Creek
Royal City	Tieton	Winlock
SeaTac*	Toledo	Winthrop
Selah	Toppenish*	Woodland
Snohomish*	Tukwila*	Woodway*
Snoqualmie	Twisp	Yacolt
Soap Lake	Union Gap	Yakima
South Bend	Vader	Zillah
South Cle Elum	Waitsburg	

Cities that do not issue a general business license

Cities that do not issue a general business license <i>*Scheduled to adopt a general business license and partner with BLS during the 2019 Calendar Year</i>		
Almira	Creston	Ione
Beaux Art Village	Cusick	Kahlotus
Camas*	Davenport	Krupp
Chewelah	Dayton	LaCrosse
Colfax	Endicott	Lamont
Colton	Fairfield	Latah
Conconully	Farmington	Lind
Newport	Forks	Malden
Oakesdale	Garfield	Mansfield
Oakville*	Hamilton	Marcus
Odessa	Harrington	McCleary
Okanogan	Hatton	Medina
Palouse	Ritzville	Metaline
Port Angeles	Riverside	Tonasket
Prescott	Rosalia	Union Town
Reardan	St. John	Washtucna
Coulee City	Starbuck	Waverly
Coupeville	Hunts Point	Yarrow Point