

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 5471 SB

Title: Cities and towns

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: Would reduce business license revenue by an estimated 20-60 percent by a prohibition from charging businesses that operate within the jurisdiction but are physically located outside of city limits.

☐ Counties:

☐ Special Districts:

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☐ Legislation provides local option:

☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City	(18,200,000)	(18,200,000)	(36,400,000)	(36,400,000)	(36,400,000)
County					
Special District					
TOTAL \$	(18,200,000)	(18,200,000)	(36,400,000)	(36,400,000)	(36,400,000)
GRAND TOTAL \$					(109,200,000)

Estimated expenditure impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City	3,315,000	390,000	3,705,000	780,000	780,000
County					
Special District					
TOTAL \$	3,315,000	390,000	3,705,000	780,000	780,000
GRAND TOTAL \$					5,265,000

Part III: Preparation and Approval

Fiscal Note Analyst: Laura Melrose	Phone: (360) 725 5040	Date: 01/24/2007
Leg. Committee Contact: Amy Van Horn	Phone: (360) 786-7784	Date: 01/24/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/20/2007
OFM Review: Mike Steenhout	Phone: 360-902-0554	Date: 02/20/2007

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would prohibit cities and towns from requiring business licenses for enterprises which operate in the jurisdiction but are not physically located within city limits.

Section 1 pertains to first-class cities and would provide an amendment in which no license may be required for businesses that are not physically in the city.

Section 2 would amend second-class city business licensing by not licensing or taxing businesses that are not physically located in the city.

Section 3 would provide an amendment for licensing businesses physically located in a town and authorized by law.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

LGFN estimates start-up costs of \$2,925,000 and ongoing costs of \$390,000 per year. This is based upon a statewide extrapolation of costs reported by the cities of Tacoma and Tumwater.

Start-up costs were estimated to be \$15,000 for reprogramming, public education, printing costs, and changing codes. Ongoing additional costs were projected to be \$2,000 per year.

These costs were multiplied by 195 cities ($\$15,000 \times 195 = \$2,925,000$; $\$2,000 \times 195 = \$390,000$). The Association of Washington Cities' "Tax and User Fee Survey" lists 195 cities and towns that require business licenses. Costs for FY 2008 include start-up and ongoing costs ($\$2,925,000 + \$390,000 = \$3,315,000$).

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill could result in losses of 20 to 60 percent in business license revenues (from \$9.1 million to \$27.3 million). Figures in the front-page table use a mid-range loss projection of 40 percent.

These statewide estimates are based upon an extrapolation of data from a survey of 15 cities conducted by the Association of Washington Cities (AWC). Respondents projected an average 40 percent decrease in revenues. This percentage was multiplied by \$45.5 million, which was the statewide total revenue for business licenses in 2006 (Local Government Financial Reporting System).

What follows are estimates for individual cities:

Yakima would lose \$50,000 annually (20 percent of businesses licensed are outside of city limits)

Kirkland would lose \$200,000 annually (40 percent of its businesses outside of city limits)

Olympia would lose \$75,000 annually (50 percent of its businesses licensed are outside of city limits)

Tacoma would lose \$600,000 (50 percent of its businesses outside city limits)

EXPENDITURE AND REVENUE SOURCE:

Association of Washington Cities

Local Government Financial Reporting System (Office of the State Auditor)