



TO: Elizabeth Pauli, City Manager
FROM: Danielle Larson, Tax & License Manager, Finance
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Ordinance – Title 6 Amendments – Annual Business License
DATE: October 18, 2022

SUMMARY AND PURPOSE:

An ordinance amending Title 6, Chapter 6B.20 of the Municipal Code, relating to the City’s Annual Business License fees. The proposed changes would leave the fees for the smallest businesses unchanged, increase the license fee for businesses with annual gross income over \$12,000 and add new license tiers for businesses with annual gross income over \$1M.

BACKGROUND:

This Department’s Recommendation is Based On:

The City’s business license fees have not increased since 2017. The change in 2017 left the annual fee for the smallest businesses unchanged, increased the fee from \$90 to \$110 for businesses with annual gross income between \$12,000 and \$250,000, and added a new tier for businesses with annual gross income over \$250,000 with an annual fee of \$250.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The proposed structure to increase annual business license fees— for all except our smallest businesses who will continue paying \$25 a year — recognizes that Tacoma has many small and medium sized businesses.

Ninety percent (90%) of businesses in Tacoma will see either no increase in their annual business license fee, or a \$20 or \$50 increase based on their annual gross income. The remaining 10 percent of larger businesses will see more substantial increases.

Staff has engaged with the Tacoma-Pierce County Chamber of Commerce (TPCCC) and the Cross Business District Association (CBDA) and shared the information on social media providing an opportunity for businesses to provide feedback. Feedback received from TPCCC and CBDA members was mixed. Some of the business owners did not have any objections to the increase in fees and noted appreciation for keeping the increase lower for the smaller businesses compared to the larger businesses. Some business owners felt that they are still struggling coming out of the pandemic and this is not the right time to increase license fees. Other feedback received was that crime, violence and encampments should be cleaned up prior to the City asking for additional fees from businesses.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: *(Mandatory)*

This proposal would leave annual business license fees unchanged for the smallest businesses in Tacoma. These businesses tend to have a higher percentage of women and/or minority businesses. In addition, the revenue from



the annual business license fees goes to the General Fund which supports public safety, homelessness services, libraries and other critical city programs.

Livability: Equity Index Score: High Opportunity
 Increase positive public perception of safety and overall quality of life.

The proposed increase to business license fees will generate an estimated \$3.3M in on-going annual revenues to the City's general fund, 60% of which is spent on public safety.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not increase license fees	Businesses would see no impact to the cost of a City license	The additional revenue of \$6.6M that the new license fees are estimated to generate will not be recognized in the 2023/24 budget
2. Increase license fees by a different amount from the proposed structure	Impacts to businesses would vary depending on the change to the proposed license structure	Impacts to the 2023/24 budget would vary depending on the change to the proposed license structure

EVALUATION AND FOLLOW UP:

Staff will review the license fees and structure along with economic indicators, including inflation, every two years and submit recommended changes to Council if appropriate.

STAFF/SPONSOR RECOMMENDATION:

The recommendation is to pass the proposed amendments to Title 6 Chapter 6B.20 – Annual Business License. The change to the City's licensing structure provides a revenue enhancement to the 2023/2024 budget of \$6.6M. The effective date for the new license fees is January 1, 2023.

FISCAL IMPACT:

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 0010 – General Fund – Finance	106500	4321100	(6,300,000)
2. 0010 – General Fund – Finance	106500	4321950	(400,000)
3. 0010 – General Fund – Credit Card Fees	106500	5425010	(100,000)
TOTAL			(6,600,000)



City of Tacoma

City Council Action Memorandum

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

The effective date for the new license fees is January 1, 2023. New revenues will impact the 2023/2024 budget.

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

NO

ATTACHMENTS:

List attachments using bullet points.