



Business License Fees

City of Tacoma | Finance Department

Government Performance Finance Committee

August 2, 2022

ITEM #



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OVERVIEW



- 2023/2024 proposed revenue enhancement
- Proposal to increase annual business license fees
- Proposal to add additional tiers for larger businesses

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BACKGROUND



- RCW 35.22.280(32) provides municipalities the authority to license for revenue
- Municipalities have the power to define categories as they see fit in order to respond to the unique concerns and responsibilities of local government

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BACKGROUND



- Business license fees were increased in 2012 and in 2017
- From 2012 - 2017 the fees were:
 - \$25 for annual gross income less than < \$12,000
 - \$90 for annual gross income of \$12,000 or more
- In 2017 the fees increased to:
 - \$110 for annual gross income between \$12,000 and \$250,000
 - \$250 for annual gross income over \$250,000

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ISSUES



- Proposed change to license fees and gross income tiers

Gross Income	Current Fee	Proposed Fee
Less than \$12,000	\$25	\$25
\$12,000 - \$250,000	\$110	\$130
\$250,001 - \$1,000,000	\$250	\$300
\$1,000,001 - \$5,000,000	\$250	\$1,000
Over \$5,000,000	\$250	\$1,500

- The effective date for the new license fees and tiers would be January 1, 2023.

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ISSUES



Proposed License Tiers				
Gross Income Thresholds	Estimated # of Businesses	Percent of Total Business	Proposed License Fee	Amount of Increase
Under \$12,000	4,900	16%	\$25	\$0
Between \$12,000 - \$250,000	12,500	42%	\$130	\$20
Between \$250,001 - \$1M	9,800	33%	\$300	\$50
Between \$1M - \$5M	2,000	7%	\$1,000	\$750
Over \$5M	775	3%	\$1,500	\$1,250
Total	30,000	100%		

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ISSUES



Nearby Cities	
Fife (FTE)	\$50 - 750
Gig Harbor	\$40
Lakewood	\$60
Fircrest	\$75
Ruston	\$40
DuPont	\$75
Federal Way (FTE)	\$81 - 9,501
University Place	\$50
Milton (FTE)	\$101 - 1,213
Puyallup (FTE)	\$0-500
Lacey	\$25

*FTE: FULL TIME EMPLOYEE

B&O Cities	
Aberdeen	\$25
Auburn	\$103
Bellevue	\$100
Bellingham	\$40
Bremerton	\$75
Burien (FTE)	\$180 - 350
Des Moines	\$75 - 100
Everett	\$90
Hoquiam	\$50
Ilwaco	\$125
Issaquah	\$60
Kelso	\$50
Kent (FTE)	\$259 - 759
Long Beach	\$125
Longview	\$50
Pacific	\$50 - 150
Renton (FTE)	\$43 - 150
Seattle(current)	\$59 - 2,613

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HEALTH, EQUITY & SUSTAINABILITY ANALYSIS



- When analyzing fee increases, staff focused on minimizing impacts on smaller businesses
- Smaller businesses tend to skew toward women and minority owned businesses
- Fee increases for smaller businesses are either \$0 or inflationary based

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OUTREACH



- Planned Outreach:
 - Tacoma/Pierce County Chamber of Commerce
 - Neighborhood Business Districts
 - Discussion throughout the Budget process

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NEXT STEPS



- Council Committee Review – August 2, 2022
- City Council Consideration – September/October 2022
- Ordinance Effective Date – January 1, 2023

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