



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6758  
September 2, 2025  
Regular Business

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6758: Business License Code Amendment (Ordinance. No. 25C-22, First Reading)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Conduct first reading of Ordinance No. 25C-22 to update City Code related to business licensing.	

<b>DEPARTMENT:</b>	Administrative Services Finance
<b>STAFF:</b>	Ali Spietz, Chief of Administration Matthew Mornick, Finance Director
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Ordinance No. 25C-22
<b>CITY COUNCIL PRIORITY:</b>	n/a

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

### EXECUTIVE SUMMARY

The purpose of this agenda bill is to introduce a mandatory revision to the Mercer Island City Code to bring it into compliance with state requirements prior to the October 2025 deadline.

- In 2024, the Association of Washington Cities (AWC) formed a working group of cities to update the standard ordinance language for business licensing rules. The resulting revisions to Chapter 5.01 of the Mercer Island City Code (MICC) include a new minimum threshold exemption for out-of-city businesses, direction for how this threshold will periodically increase, and staff proposed changes to revise language that is no longer relevant or desired (Exhibit 1).
- To comply with state requirements, the City Council must adopt Ordinance No. 25C-22 before the mid-October deadline to take effect by January 1, 2026.

### BACKGROUND

After the 2017 legislative session, new law required standardized rules for out-of-city licensing across the state (RCW 35.90.080). In response, the Association of Washington Cities (AWC) was tasked with developing minimum threshold language for business licensing by January 1, 2019.

The resulting AWC committee represented by cities within the region drafted a model ordinance in 2018, which included a mandatory definition of “engaging in business” and established a \$2,000 minimum threshold exemption when out-of-town or transient businesses are required to be licensed.

The 2018 ordinance was reviewed and updated by an AWC work group of cities in 2024 and requires an update to Chapter 5.01 of the Mercer Island City Code (MICC). The main change is a one-time increase to the exemption for out-of-city businesses from the current \$2,000 threshold to a threshold of \$4,000.

Cities must adopt the updated language by January 1, 2026. However, because the City of Mercer Island partners with the state Department of Revenue Business Licensing Service (BLS) for business licensing administration, the City must update language in the City code by mid-October 2025 to meet the state's 75-day notice requirement of any changes to the City's business licenses, including this mandatory change.

## **ISSUE/DISCUSSION**

Ordinance No. 25C-22 updates Chapter 5.01 MICC to bring it into compliance with the latest changes to the business licensing model ordinance, provides direction on how the new minimum threshold exemption will periodically increase, and staff proposed revisions to clean up language that is no longer relevant or desired (Exhibit 1). The main change in the update includes a one-time increase to a higher threshold exemption to \$4,000 for out-of-city businesses from the current \$2,000 threshold, effective January 1, 2026. Other changes include:

- Every four years thereafter, the threshold has an automatic periodic increase based on cumulative inflation.
- The rate of inflation would be calculated using the Consumer Price Index-U (CPI-U) Western for June of each year compared to the previous year for the previous four years.
- The rate of inflation would be calculated as zero in any year in which inflation was negative and capped at 5% per year or 20% over four years if inflation exceeded those amounts.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest \$100.

In addition to the mandated changes from the state, staff is proposing additional amendments to clarify and clean up outdated language as follows:

- References to the city clerk as the business licensing authority have been changed to the finance director per current practice.
- Clarifies that all businesses must comply with the chapter regardless of location (5.01.050).
- Replaces outdated language about home business, resident business, and nonresident business with language regarding fees for initial and renewal licenses (5.01.060).
- References to a Master Exhibitor's License were removed as this license is not used (5.01.060).
- Removes language about when fees are due as the state Department of Revenue BLS handles this for the City (5.01.060).
- Replaces language about license period, renewal period, and how to display the license (5.01.070).
- Creates new section about notification suspension, revocation, or denial (5.01.115).
- Revises the appeal section for clarity and changes the appeal body from the City Council to the Hearing Examiner (5.01.120).

## **NEXT STEPS**

Staff seeks to answer questions from the City Council and schedule a second reading of Ordinance No. 25C-22 at the September 16 City Council meeting. Upon adoption, MICC chapter 5.01 will be revised, and staff will notify the Department of Revenue BLS service of the code amendments regarding business licenses.

## **RECOMMENDED ACTION**

Set Ordinance No. 25C-22 for second reading and adoption at the September 16, 2025 City Council meeting.