

Council Agenda Bill

AB Number

AB25-095

Agenda Bill Information

Title*

Ordinance Amending the Minimum Licensing Threshold for Out-of-City Businesses in SMC 5.04.015(B)

Action*

Motion

Council Agenda Section

Ordinance

Council Meeting Date*

10/27/2025

Staff Member

Drew Bouta

Department*

Finance

Committee

Finance and Administration

Committee Date

10/21/2025

Exhibits

Packet Attachments - if any

AWC Fact Sheet.pdf	115.84KB
Ordinance For AB25-095.docx	26.9KB

Summary

Introduction*

Brief summary.

This ordinance seeks to amend SMC 5.04.015(B), as required in RCW 35.90.080, by increasing the minimum licensing threshold for out-of-city businesses from \$2,000 to \$4,000, under which an out-of-city business would not have to pay a business license fee, and establishing an increase in the threshold every four years based on the change in the June-to-June Consumer Price Index (CPI-U) during that period.

Proposed Motion

Move to approve Ordinance xxxx amending the minimum licensing threshold for out-of-city businesses in SMC 5.04.015(B).

Background/Overview*

What was done (legislative history, previous actions, ability to hyperlink)

RCW 35.90.080 (2017, EHB 2005) requires cities that impose a general business license to develop and adopt a single business licensing ordinance, consistent across all cities, with the help of the Association of Washington Cities (AWC). This “model” ordinance, as it is known, is required to contain a minimum licensing threshold (i.e., mandatory provision of state law) under which a business would not have to pay a business licensing fee. In 2018, the model ordinance established a \$2,000 minimum licensing threshold, as measured by the annual value of products, gross proceeds of sales, or gross income, for out-of-city businesses.

Analysis*

In 2024, the general business community requested a review of the model ordinance given the dramatic increase in online sales and deliveries. As a result, the AWC established a working committee to review the proper minimum licensing threshold for out-of-city businesses. The intent of this ordinance is to adopt the model ordinance, as amended by the committee, increasing the minimum licensing threshold for out-of-city businesses to \$4,000 effective January 1, 2026, and establishing an increase every four years based on the change in the June-to-June Consumer Price Index (CPI-U) during that period.

Budgetary Status*

This action has complex budgetary implications.

Budget Summary

Business license revenue will likely decrease due to this change. However, it will be dependent on the action of the businesses earning revenue within the City, but not located in the City, as to whether these anticipated decreases are actually incurred.

Based on the reported annual income for out-of-City businesses, 101 businesses fall between the old \$2,000 threshold and the new \$4,000 threshold. If all of these businesses opt out of obtaining a business license, the City would receive \$3,465 less in business license revenue.

Fiscal Impact

Amount of Expenditure

Amount Budgeted

Appropriation Requested

Fiscal Impact Screenshot