

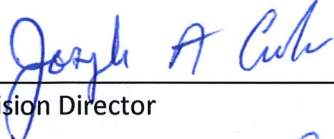


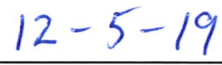

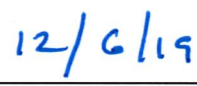


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Director's Rule Template

Department: City of Seattle Department of Finance and Administrative Services	Rule No: 5-002	Supersedes: 5-002
Subject: Business License Tax Certificate Requirements	Code and Section Reference(s): SMC 5.55.030	
Approved:  <hr/> Division Director  <hr/> Business Unit Officer / City Finance Director  <hr/> Calvin W. Goings, Department Director	  <hr/> Date  <hr/> Date  <hr/> Date	

1. Purpose

This draft rule updates the previous rule to include sections concerning:

- Separate business license tax certificate for multiple locations & branches;
- Penalties for failure to timely obtain or renew a business license tax certificate;
- Rules around the timing of opening and closing taxpayer accounts; and
- Prohibitions on the use of another person's business license tax certificate.

There are no changes to the sections concerning Persons required to obtain a business license tax certificate and Business License Tax Certificate Application and Renewal.

2. Rule

Every person, whether located inside or outside the City of Seattle engaged in any business activity in the City shall apply for and obtain a business license tax certificate, unless exempt from licensing and tax requirements.

3. Definitions

N/A

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Business License Tax Certificate Requirements

- (1) **Persons required to obtain a business license tax certificate.** Every person, whether located inside or outside the City of Seattle, engaged in any business activity within the City shall apply for and obtain a business license tax certificate, unless exempt from licensing and tax requirements pursuant to SMC 5.45.090 and SMC 5.45.060, or exempt under the \$2,000 minimum license threshold under SMC 5.55.030.H, or the activity falls within the safe harbor provisions provided under SMC 5.30.030.B.4 in which certain de minimis business activities are allowed without having to obtain a business license tax certificate or pay business license taxes. (See Seattle Rule 5-043, Engaging in business.)

Effective January 1, 2017, through December 31, 2017, under SMC 5.55.030.A, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than \$20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$27.50 for such persons beginning their activity on or after July 1;
2. One hundred ten dollars for persons with taxable gross income of the business and value of products of \$20,000 or more but less than \$500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;
3. Four hundred eighty dollars for persons with taxable gross income of the business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$240 for such persons beginning their activity on or after July 1;
4. One thousand dollars for persons with taxable gross income of the business and value of products of \$2,000,000 or more in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$500 for such persons beginning their activity on or after July 1.

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Effective January 1, 2018 to December 31, 2018, under SMC 5.55.030.A, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than \$20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$27.50 for such persons beginning their activity on or after July 1;
2. One hundred ten dollars for persons with taxable gross income of the business and value of products of \$20,000 or more but less than \$500,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;
3. Four hundred eighty dollars for persons with taxable gross income of the business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$240 for such persons beginning their activity on or after July 1;
4. One thousand dollars for persons with taxable gross income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$500 for such persons beginning their activity on or after July 1.
5. Two thousand dollars for persons with taxable gross income of the business and value of products of \$5,000,000 or more in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$1,000 for such persons beginning their activity on or after July 1.

Effective January 1, 2019 to December 31, 2019, under SMC 5.55.030.A, the fee for the business license tax certificate shall be:

1. Fifty-five dollars for persons with taxable gross income of the business and value of products of less than \$20,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$27.50 for such persons beginning their activity on or after July 1;
2. One hundred ten dollars for persons with taxable gross income of the business and value of products of \$20,000 or more but less than \$500,000 in the most recent complete calendar year that engage in any business activity,

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- profession, trade, or occupation in the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;
3. Five hundred dollars for persons with taxable gross income of the business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$250 for such persons beginning their activity on or after July 1;
 4. One thousand two hundred dollars for persons with taxable gross income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$600 for such persons beginning their activity on or after July 1.
 5. Two thousand four hundred dollars for persons with taxable gross income of the business and value of products of \$5,000,000 or more in the most recent complete calendar year that engage in any business activity, profession, trade, or occupation in the City prior to July 1 and \$1,200 for such persons beginning their activity on or after July 1.

On January 1, 2020 and on January 1 of every year thereafter, the Director shall increase the fees for the business license tax certificate based on the rate of growth of the Consumer Price Index using the formula stated in SMC 5.55.030.A.

Beginning January 1, 2019, any person whose annual value of products, gross proceeds of sales, or gross income of the business in the City is equal to or less than \$2,000 and who does not maintain a place of business within the City is not required to obtain a business license tax certificate.

(2) Business License Tax Certificate Application and Renewal.

- (a) Application. A person shall apply to the Director of the Department of Finance and Administrative Services on a form provided by the Department. The business license tax certificate fee as provided in section (1) above shall accompany the application.
- (b) Display of business license tax certificate. The owner of the business license tax certificate shall post the business license tax certificate conspicuously at all times in the place of business for which it is issued. In instances in which posting of the business license tax certificate is not feasible, the license tax certificate must be immediately available upon request.

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- (c) Change in location. If the owner of the business license tax certificate changes the place of business, the business license tax certificate owner shall return the business license tax certificate to the Director and a new business license tax certificate shall be issued free of charge for the new place of business.
 - (d) Lost or damaged business license tax certificate. If any business license tax certificate is lost or destroyed, a new business license tax certificate will be issued free of charge upon the taxpayers request.
 - (e) Business license tax certificate renewal. Business license tax certificates are valid until December 31st of each calendar year and must be renewed on or before the date of the expiration of such business license tax certificate. Any owner of a business license tax certificate who fails to renew the business license tax certificate on or prior to the expiration date shall be subject to penalties for noncompliance as set forth under Section 5 of this rule.
- (3) Multiple locations -branch licenses. A separate branch license is required for each location at which business is transacted with the public. A separate branch license fee, as required by SMC 5.55.030 B, shall accompany each application for a branch license.

Tax reporting -multiple locations. A licensee shall report all tax liability on a single business license tax return. A taxpayer desiring to file a separate tax return covering a branch location, or a specific construction contract, may request from the Director a separate tax reporting form for each location; however, pursuant to SMC 5.55.040 D, any and all thresholds for determining tax liability will be based upon business activities of the entire entity, including all business locations.

- (4) Penalties for noncompliance. Failure to timely obtain or renew a business license tax certificate and pay the applicable fee may result in the refusal by the Director to renew or revocation of the business license, civil penalties and/or a criminal citation being issued.
- (a) Failure to renew a business license tax certificate by the due date. SMC 5.55.030 E imposes monetary penalties for failure to renew a license by the date of expiration as follows:
 - (i) Ten Dollars (\$10.00) if not received on or before the last date of the month following the expiration date; or
 - (ii) Twenty Dollars (\$20.00) if not received on or before the last day of the second month following the expiration date.

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- (b) Failure to obtain a business license tax certificate. In addition to the penalties imposed by subsection 4 (a), any person who fails to obtain a business license prior to engaging in any taxable business activity is guilty of a gross misdemeanor punishable in accordance with Title 12A of the Seattle Municipal Code.
- (c) Revocation of or refusal to renew license tax certificate. The Director may refuse to renew or revoke a business license tax certificate pursuant to SMC 5.55.230. See Rule 5-003 for procedures pertaining to the Director's refusal to renew or the revocation of a business license. Any person, including an officer of a corporation, convicted of continuing to engage in business after the refusal by the Director to renew or the revocation of a license shall be guilty of a gross misdemeanor and punishable by a fine not to exceed Five Thousand Dollars (\$5,000), or imprisonment not to exceed one (1) year, or by both fine and imprisonment in accordance with Title 12A of the Seattle Municipal Code.
- (d) All business license tax certificates issued subsequent to the initial license period shall be deemed renewal licenses if there has been no discontinuance of the licensee's operations or activities. A business that closes and reopens within a 12-month period will be deemed a continuation of business.
- (e) Nonpayment by a licensee of taxes or business license tax certificate fees other than those due upon expiration for the renewal of a license, when due during the term of any license, or the failure of a licensee to file tax returns when due, shall constitute grounds for revocation of or the refusal of the Director to renew said license for a period of one year. The Director shall seek to refuse to renew or to revoke a business license tax certificate when a taxpayer has unreasonably refused or neglected to pay any amounts due or to file an overdue tax return.
 - (i) The acceptance of any payment remitted for the renewal of a business license while there remain unpaid taxes or other license fees shall not impair or otherwise affect the authority of the Director to refuse to renew or to revoke a business license tax certificate.
 - (ii) Any payment, including any payment remitted for the renewal of a business license tax certificate, received while there remains unpaid taxes or other license fees shall not be applied to the renewal of the business license tax certificate but shall be applied first against the other unpaid (non-renewal) license fees, then against unpaid penalties, then against accrued interest, then

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against unpaid tax, and finally against the business license renewal fee and any penalties accrued under subsection 4 (a) of this Rule.

- (f) Failure to obtain a business license tax certificate. In addition to the penalties imposed by subsection 4 (a), any person who fails to obtain a business license prior to engaging in any taxable business activity is guilty of a gross misdemeanor punishable in accordance with Title 12A of the Seattle Municipal Code.
 - (g) Suspension or revocation of license. The Director may suspend or revoke a business license tax certificate pursuant to SMC 5.55.230 (Suspension or Revocation of Business License Tax Certificate). See Rule 5-003 for procedures pertaining to business license tax certificate suspension or revocation. Any person, including an officer of a corporation, convicted of continuing to engage in business after the revocation of a business license tax certificate shall be guilty of a gross misdemeanor and punishable by a fine not to exceed Five Thousand Dollars (\$5,000), or imprisonment not to exceed one (1) year, or by both fine and imprisonment in accordance with Title 12A of the Seattle Municipal Code.
- (5) Taxpayer Accounts. An account is opened for each business license tax certificate. Once an account is opened, it shall be presumed that a taxpayer is engaged in business in Seattle until the taxpayer closes the account. As long as a taxpayer's account remains open, the taxpayer is required to file tax returns and to renew its business license tax certificate.
- (a) To Close an Account. A taxpayer may close its account either by filing a tax return clearly and conspicuously marked "final return," or by submitting a request in writing to the Director to close the account.
 - (b) To Reactivate an Account. A person resuming business in Seattle may request that its account be reactivated. A person who has not engaged in business in the City of Seattle for at least twelve (12) consecutive months may reactivate a closed account without a penalty for late payment if payment of the license fee accompanies the application for reinstatement. (A person reactivating a license within 12 months of closing its account may be liable for delinquent license fees and penalties for late payment.)
- (6) Use of another person's business license tax certificate prohibited. No person to whom a business license tax certificate has been issued pursuant to SMC 5.55.030 shall suffer or allow any other person for whom a separate license is

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required to operate under or display his or her license; nor shall such other person operate under or display such license.

(7) Examples:

- (a) **Example 1:** Business X has been engaged in business in the City of Seattle and registered for several years. Business X reported the following taxable gross income amounts: \$450,000 in 2015 and \$600,000 in 2016. In December of 2017, the City of Seattle mails business X's 2018 business license tax certificate fee renewal notice. The business license tax certificate fee due for 2018 is \$480. The business license tax certificate fee due is based the most recent complete calendar year. At the time the 2018 business license tax certificate fee renewal is issued in December 2017, the 2016 calendar year is the most recent complete year. Therefore, the 2018 business license tax renewal fee due is based on the 2016 taxable amounts.
- (b) **Example 2:** Business Y is a new business that will open in August 2018 in the City of Seattle. Business Ys business license tax fee due at the time of registration is \$27.50. Business Y has no previous reported taxable amounts due because it is a new business. Therefore, Business Ys business license tax certificate fee due at the time of registration will default to the fee amount for the lowest tier, in this instance the lowest fee is \$27.50 based on the \$55 tier prorated for half a year. Business Y will receive a renewal notice for 2019 in December 2018. At that time there is no prior tax reporting history as the business just began in 2018. The 2019 license renewal fee will default to \$55. When the business files its 2018 tax return, the 2019 renewal fee will be trued up if the revenue reported requires a license fee of more than the defaulted \$55. Business Y will be notified of any additional fee.
- (c) **Example 3:** Business MM realizes they need a Seattle business license tax certificate. They have been doing business in Seattle since 2017. It is now 2018. Business MM registers its business in March 2018. At the time of registration, there is no filing history for Business MM. Business MM will pay \$55 for 2017 and \$55 for 2018. When Business MM files its tax return for 2017, the 2018 license fee will be trued up if the revenue reported requires a license fee of more than the defaulted \$55. Business MM will be notified of any additional fee.

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- (d) **Example 4:** Business DD will be starting business in Seattle in 2019. Business DD is located outside Seattle city limits and has no locations within Seattle city limits. Business DD does not anticipate doing business in Seattle that will generate more than \$2000 in taxable revenue. Business DD does not need to register for a Seattle business license tax certificate. Should Business DD's revenue in 2019 exceed \$2000, Business DD will need to contact the Department and register for a Seattle business license tax certificate.
- (e) **Example 5:** Business EE is a new business that will open in August 2018 in the City of Seattle. Business EE's business license tax fee due at the time of registration is \$27.50. Business EE has no previous reported taxable amounts due because it is a new business. Therefore, Business EE's business license tax certificate fee due at the time of registration will default to the fee amount for the lowest tier, in this instance the lowest fee is \$27.50 based on the \$55 tier prorated for half a year. Business EE is located outside Seattle city limits. Business EE does not anticipate generating Seattle taxable revenue in 2019. When Business EE receives its renewal notice for 2019 it will need to contact the Department and declare its anticipated revenue for 2019. Business EE will not need to have a business license tax certificate for 2019. It will still need to report 2018 revenue and pay tax as required. Should Business EE's revenue in 2019 exceed \$2000, Business EE will need to contact the Department and reinstate its Seattle business license tax certificate.