



City of Tukwila

6200 Southcenter Boulevard ~ Tukwila, WA 98188-2544

Streamlining the Business License Fee....

City of Tukwila Business Licensing division is looking to streamline the current business license fee calculation. Many businesses in the City have expressed their concerns with the existing business license and Revenue Generating Regulatory License (RGRL) fee structure as overly complex and difficult to understand. Business owners and managers shared their confusion, which resulted in miscalculated fees and longer than normal processing of their business license.

Currently at present, the total license fee involves a calculation of a base business license fee and the RGRL fee. The base business license fee is based on # of employees (headcount). The RGRL fee is based on full-time equivalent (FTE) employees, which is different than how a base fee is calculated. FTE takes into account how many hours an employee works. Someone who works 40 hours per week is considered to be full-time or 1 FTE. Likewise someone who works 20 hours per week is considered to be .50 FTE. However, because the base business license fee is based on headcount, these employees would count as two employees for business license fee purposes. A business owner is required to perform both calculations, add them together, and submit the amount due in full to the City.

Recently the Finance department reviewed the existing fee structure and determined that a business license fee using a combined rate of \$67 per full-time equivalent employee is equitable for both businesses and the City. This change would be revenue neutral for the City. The combined business license fee would incorporate both the base fee and the RGRL fee. Some of the advantages to be realized from the combined rate fee structure are:

- A combined fee is much easier to understand, and makes the renewal and application forms easier to complete. There would be one fee calculation.
- The fee is more equitable for many businesses. The per-employee base business license fee is much higher for smaller businesses than it is for larger businesses. For instance, the per-employee base fee for a business with two full-time employees is \$50. The per-employee base fee for the City's largest employer is approximately \$10 per employee.
- The fees paid by the City's smallest businesses, those with 1-8 employees (66% of businesses in Tukwila) would go down using a combined base business and RGRL fee. In total, approximately **71% of businesses would pay lower fees** with the new combined fee structure. For instance, a business with two full-time employees currently pays \$210 in fees for the base business license fee and the RGRL fee. Under the combined fee of \$67 per employee, that same business would pay \$134, a savings of \$76.
- A simplified fee structure would result in fewer businesses paying incorrect amounts and therefore being subject to late penalties and multiple handling of accounts by Finance staff.
- Business licenses would be issued much faster if we had a high percentage of businesses that calculate and pay the correct amount due the first time.

It is our goal to collaborate with members in the community to improve our processes and continue to provide efficient service. If you have any suggestions or comments regarding this new rate fee structure for business licenses, please contact Cindy Wilkins at 206-431-3680, licensing@tukwilawa.gov or Jennifer Ferrer at Jennifer.ferrer@tukwilawa.gov.

We want to hear from you. Please let us know what you think!