

City Business License Model Ordinance

1. Outline of Changes to Business License Model Ordinance

- Effective date to January 1, 2026.
- One-time increase to a higher threshold to \$4,000 for out-of-city businesses.
- Combined with an automatic periodic increase four years later based on cumulative inflation. 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.
- The rates 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.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest \$100.
- Cities that partner with the state's Business License Service would need to update their ordinance in time to provide 75-days' notice to the Department of Revenue of the change. Cities that partner with File local would need to notify them of an expected system change by August.
- Cities would retain the local option of requiring a no-fee registration for out-of-city businesses below the threshold and the local option of imposing a higher threshold than the model minimum threshold.

2. Changes to Model Threshold

The 2018 model is amended to include the threshold change effective January 1, 2026.

Model business license threshold options: (cities would adopt one of the options effective January 1, 2026)

1. **Threshold Exemption Option:**

To the extent set forth in this section, the following persons and businesses shall be exempt from the registration, license and/or license fee requirements as outlined in this chapter: (1) Any person or business 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 [or higher threshold as determined by city] and who does not maintain a place of business within the city shall be exempt from the general business license requirements in this chapter. The exemption does not apply to regulatory license requirements or activities that require a specialized permit.

Beginning January 1, 2026, the threshold amount is \$4000 [or higher threshold as determined by city]. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index ("CPI") for "West Urban, All Urban Consumers" (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight month) CPI increase using each 12-month period ending on June 30 of each prior year, and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight-month period, a zero (0) percent increase will be used in computing the annual basis.

2. **Threshold with Fee-free License/Registration-only Option:**

For purposes of the license by this chapter, any person or business 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 [or higher threshold as determined by city] and who does not maintain a place of business within the city, shall submit a business license registration to the Director or designee. The threshold does not apply to regulatory license requirements or activities that require a specialized permit.

Beginning January 1, 2026, the threshold amount is \$4000 [or higher threshold as determined by city]. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index ("CPI") for "West Urban, All Urban Consumers" (CPI-U) for each 12-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight month) CPI increase using each 12-month period ending on June 30 of each prior year, and rounded to the nearest \$100. However, if any of the annual CPI increases are more than five (5) percent, a five (5) percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight-month period, a zero (0) percent increase will be used in computing the annual basis.

[Note: City would list this fee-free license in its business license rates section as \$0 or no fee.]

3. **Background Information**

- Model threshold was required by 2017 legislation ([RCW 35.90.080: Adoption of model ordinance](#)) to address out-of-city licensing/delivery concerns.
- 2018 final recommendation was \$2000 for out-of-city businesses, with option to require no-fee registration only requirement below threshold.
- Changes must be adopted by cities with same effective date (RCW 35.90.080(1)(c)).
- Model cannot be updated more frequently than every 4 years.