

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussing Ordinance No. 827 Amending Chapters 3.30 (Gambling Tax) and 3.32 (Utility Tax) of the Shoreline Municipal Code to Align Responsibility, Principal and Interest Rates, Delinquency Schedules, and Minimum Penalty and Ordinance No. 828 Amending SMC 3.01.200(A) to Eliminate for the Fourth Quarter of 2018 the Annual Business License Fee and Penalty for Late Renewal
<b>DEPARTMENT:</b>	Administrative Services
<b>PRESENTED BY:</b>	Rick Kirkwood, Budget Supervisor Ally Kim, B&O Tax Analyst
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

On December 4, 2017, the City Council adopted Ordinance No. 808 which creates two new Chapters in the Shoreline Municipal Code (SMC): Chapter 3.22, *Business & Occupation Tax* and Chapter 3.23, *Tax Administrative Code*, effective January 1, 2019. During the December 4 Council meeting, a discussion was held regarding the practical considerations and options for tax administration, particularly relating to business licensing and tax collection.

Since that time, staff has undertaken the Business & Occupation Tax implementation process, including selection of a system of record and an online filing option for tax collection (*FileLocal*), and recruiting staffing to administer the collection, maintenance and auditing of the tax. Staff's evaluation of the business process to implement *FileLocal*'s standard configuration of its online business licensing and tax filing options has revealed the need for three changes to the SMC. These include changing the staff administrative responsibility in the code, aligning the penalty and interest rates and delinquency schedules across the various taxes that the City collects, and providing for a limited reprieve on the annual business license fee and penalty for late renewal for only the fourth quarter of 2018. Proposed Ordinance Nos. 827 and 828 (Attachments A and B, respectively) provide for these changes.

Tonight, Council is scheduled to discuss proposed Ordinance Nos. 827 and 828. These ordinances are scheduled to be brought back to Council for action on June 25, 2018.

**FINANCIAL IMPACT:**

There is no financial impact associated with tonight's discussion. If the City Council chooses to not approve the amendment provided through Ordinance No. 827, the penalty and interest rates and delinquency schedules would continue to be unique for

Gambling Tax, Utility Tax and B&O Tax. Additionally, the City will not be able to implement *FileLocal's* standard configuration without additional costs for providing the customizations. If the City Council chooses to approve the amendment provided through Ordinance No. 827, staff estimates the collection of approximately \$46,000 from 1,162 businesses scheduled to renew a business license in the fourth quarter of 2018 will be delayed until January 2019.

### **RECOMMENDATION**

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Staff recommends adoption of proposed Ordinance Nos. 827 and 828 when they are brought back to Council for action. Staff also recommends that staff notify the Washington State Department of Revenue on June 12 of the new business license fee and penalty that will be effective for the fourth quarter of 2018 if Council does not have any concerns with Ordinance No. 828 tonight. Adoption of proposed Ordinance Nos. 827 and 828 is scheduled for June 25, 2018.

Approved By:            City Manager **DT**    City Attorney **MK**

## **BACKGROUND**

On December 4, 2017, the City Council adopted Ordinance No. 808 which creates two new Chapters in the Shoreline Municipal Code (SMC): Chapter 3.22, *Business & Occupation Tax* and Chapter 3.23, *Tax Administrative Code*, effective January 1, 2019. During the December 4 Council meeting, a discussion was held regarding the practical considerations and options for tax administration, particularly relating to business licensing and tax collection.

Staff has undertaken the Business & Occupation Tax implementation process, comprised of the evaluation of a system of record, an online filing option for tax collection (*FileLocal*), and recruiting staff to administer the collection, maintenance and auditing of the tax. During this process, staff is proceeding with an agreement with *FileLocal* to serve as the City's online business licensing and tax filing portal. *FileLocal* is a multi-city business license and tax portal founded by the cities of Bellevue, Everett, Seattle, and Tacoma to provide one location for businesses when dealing with licenses and taxes in the participating cities. Shoreline would become a subscribing member of *FileLocal*. Staff's evaluation of the business process to implement *FileLocal*'s standard configuration of its online business licensing and tax filing options has revealed the need for three changes to the SMC.

## **DISCUSSION**

### **Proposed Ordinance No. 827: Amending Chapters 3.30, *Gambling Tax* and 3.32, *Utility Tax* of the Shoreline Municipal Code to Align Principal and Interest Rates, Delinquency Schedules, and Minimum Penalty with Chapter 3.23, *Tax Administrative Code***

SMC Chapter 3.30 Gambling Tax and SMC Chapter 3.32 Utility Tax currently assign administration responsibility to the City Clerk and Finance Director, respectively. The responsibility for Gambling Tax has been assumed by the Administrative Services Director and the Finance Director title has since been changed to Administrative Services Director. Proposed Ordinance No. 827 contains amendments to update SMC 3.30 and SMC 3.32 accordingly.

SMC 3.30 and SMC 3.32 also set forth penalty rates and delinquency schedules. These penalty rates have been assessed on amounts that were either not received in full or only partially paid by the due date. Neither of these chapters provide for the addition of interest to any amount due. The following table shows each current penalty rate according to the delinquency schedule:

<b>SMC</b>	<b>Delinquency Schedule</b>	<b>Penalty; Minimum</b>
<i>Gambling Tax</i>		
3.30.060(B)(1)	1 – 30 days	10%; \$5.00
3.30.060(B)(2)	31 – 60 days	15%; \$10.00
3.30.060(B)(3)	61+ days	20%; \$15.00

SMC	Delinquency Schedule	Penalty; Minimum
<i>Utility Tax</i>		
3.32.060(B)	1 – 14 days	0%; \$0.00
3.32.060(B)	15 – 29 days	10%; \$0.00
3.32.060(B)	30 – 44 days	15%; \$0.00
3.32.060(B)	45+ days	20%; \$0.00

The newly created SMC Chapter 3.23 Tax Administrative Code similarly contains sections related to penalty and interest rates and provides that penalties will be assessed on the amount of the tax due in accordance with Revised Code of Washington (RCW) 82.32.050 (Attachment C – Interest) and 82.32.090 (Attachment D - Penalties). To illustrate the difference from those in SMC 3.30 and SMC 3.32, the following table shows the most common instance when penalties will be assessed, specifically when no tax payment is made by the due date:

Delinquency Schedule	Penalty; Minimum
0 – 1 month	9%; \$5.00
1 – 2 months	19%; \$5.00
2+ months	29%; \$5.00

In addition, staff's evaluation of the business process and requirements to implement *FileLocal's* online tax filing option revealed that the majority of cities adopted penalty and interest rates and a delinquency schedule for Gambling Tax and Utility Tax that is consistent with those of their B&O Tax. Given this, a uniform structure became part of *FileLocal's* standard configuration. While it is possible to customize *FileLocal* with multiple penalty and interest rates and delinquency schedules, doing so would increase the cost of implementation to the City of Shoreline.

Proposed Ordinance No. 827 amends SMC 3.30 and SMC 3.32 to align with the structure of SMC 3.23 thereby ensuring all assessments will be made in accordance with RCW 82.32.050 and 82.32.090. In addition, this will allow for an effective implementation of *FileLocal's* standard configuration to proceed.

**Proposed Ordinance No. 828: Amending SMC 3.01.200(A), Business License Fees to provide a Reprieve for the Fourth Quarter of 2018 the Annual Business License Fee and Penalty for Late Renewal**

SMC Chapter 3.01 *Fee Schedule* sets the business license fee rates and late fees in Section 3.01.200. Each license issued by the City currently expires one year from the date of issuance. The City will be assuming the responsibility of issuing business licenses from the Department of Revenue Business License Service (BLS) by switching to *FileLocal*. This transition will require each business to apply for a new license on January 1, 2019, with those licenses and all others issued throughout the year expiring on December 31 of each year. Given this, Staff is recommending that businesses have a reprieve during the fourth quarter of 2018 (October 1 to December 31) from the annual business license fee and penalty for late renewal. This results in essentially delaying collection of the annual business license fee for those businesses applying for

or renewing a City business license in October/November/December 2018 until January 2019, thereby decreasing the financial impact to those businesses that would otherwise pay the fee at that time and again in January 2019 upon implementation of *FileLocal*. Proposed Ordinance No. 828 provides for the following amendment:

**SMC 3.01.200 Business License Fees.**

<b>A. BUSINESS LICENSE FEES - GENERAL</b>		<b>2018 Fee Schedule</b>
1.	Annual business license fee <u>effective January 1 through September 30, 2018 *</u>	\$40.00 Annual
2.	<u>Annual business license fee effective October 1 through December 31, 2018 *</u>	<b><u>\$0.00 Annual</u></b>
<del>2-3.</del>	Penalty for late renewal as described in SMC 5.05.080 <u>effective January 1 through September 30, 2018 *</u>	\$20.00 Annual
4.	<u>Penalty for late renewal as described in SMC 5.050.080 effective October 1 through December 31, 2018 *</u>	<b><u>\$0.00 Annual</u></b>
* <u>Business licenses renewed in 2018 will be effective through December 31, 2018, at which time the City will assume responsibility of issuing business licenses from the Department of Revenue Business License Service. This transition will require each business to apply for a new license by January 31, 2019, with those licenses and all others issued throughout the year expiring on December 31 of each year.</u>		

The Department of Revenue (DOR) requires 75 days advanced notice of any changes to the annual business license fee and penalty for late renewal. Since the new fee would be effective October 1, it is necessary that staff notify DOR of this change as soon as possible so the new fee can be stated on fourth quarter renewal notices, which will be sent out beginning in August. If the City Council does not have any concerns with proposed Ordinance No. 828, staff would like to notify the DOR on June 12 of the new fee and penalty that will be effective for the fourth quarter of 2018.

**FINANCIAL IMPACT**

There is no financial impact associated with tonight's discussion. If the City Council chooses to not approve the amendment provided through Ordinance No. 827, the penalty and interest rates and delinquency schedules would continue to be unique for Gambling Tax, Utility Tax and B&O Tax. Additionally, the City will not be able to implement *FileLocal*'s standard configuration without additional costs for providing the customizations. If the City Council chooses to approve the amendment provided through Ordinance No. 827, staff estimates the collection of approximately \$46,000 from 1,162 businesses scheduled to renew a business license in the fourth quarter of 2018 will be delayed until January 2019.

**RECOMMENDATION**

No action is required by the City Council. This meeting will provide an opportunity for the City Council to ask specific questions and provide staff direction. Staff recommends adoption of proposed Ordinance Nos. 827 and 828 when they are brought back to Council for action. Staff also recommends that staff notify the Washington State Department of Revenue on June 12 of the new business license fee and penalty that will be effective for the fourth quarter of 2018 if Council does not have any concerns

with Ordinance No. 828 tonight. Adoption of proposed Ordinance Nos. 827 and 828 is scheduled for June 25, 2018.

### **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 827

Attachment B: Proposed Ordinance No. 828

Attachment C: Revised Code of Washington 82.32.050

Attachment D: Revised Code of Washington 82.32.090

**ORDINANCE NO. 827**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, REVISING THE RESPONSIBILITY, PENALTY AND INTEREST RATES, AND DELINQUENCY SCHEDULES FOR LATE PAYMENT OF GAMBLING TAXES AND UTILITY TAXES EFFECTIVE JANUARY 1, 2019; AMENDING SHORELINE MUNICIPAL CODE 3.30.060 AND 3.32.060.**

WHEREAS, the City Council finds that the City should continue to assess a penalty for late payment of gambling taxes and utility taxes; and,

WHEREAS, subsequent to the adoption of Ordinance No. 808, through an evaluation of the business process to implement *FileLocal's* standard configuration of its online tax filing option it has been determined that the City must have penalty and interest rates and a delinquency schedule that is consistent with that prescribed for business & occupation taxes; and

WHEREAS, the City Council finds that it is in the best interest of the businesses conducting business in Shoreline that all assessments will be made in accordance with RCW 82.32.050 and 82.32.090 as they now exist or may be amended and allowing for implementation of *FileLocal's* standard configuration to proceed; and,

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1. Amendment – Chapter 3.30.040 Administration.** The City of Shoreline hereby amends Shoreline Municipal Code 3.30.040 as set forth below:

The administration and collection of the tax imposed by SMC 3.30.010 shall be by the ~~city clerk~~Administrative Services Director and pursuant to the rules and regulations of the Washington State Gambling Commission. The ~~city clerk~~Administrative Services Director is instructed and authorized to adopt appropriate reporting requirements, to ensure the effective administration of license holders exempt from the payment of the tax and to make such further rules and regulations for the purpose of carrying out the provisions of this chapter.

**Section 2. Amendment – Chapter 3.30.050 Charitable, nonprofit organization – Declaration of intent to conduct gambling activity.** The City of Shoreline hereby amends Shoreline Municipal Code 3.30.050 as set forth below:

For the purpose of identifying the persons, associations and organizations that shall be subject to the tax imposed by SMC 3.30.010, any bona fide charitable or nonprofit corporation intending to conduct or operate any bingo game, raffle or amusement game

which requires licensing as provided in and authorized by Chapter 9.46 RCW, as the same now exists or may be hereafter amended, shall, prior to commencement of any such activity, file with the ~~city clerk~~ Administrative Services Director a sworn declaration of intent to conduct or operate such activity, together with a copy of the license issued in accordance with Chapter 9.46 RCW, as the same now exists or may be hereafter amended, as amended. Thereafter, for any period covered by such state license or any renewal thereof, any such licensed bona fide charitable or nonprofit corporation shall, on or before the ~~fifteenth~~ thirtieth day of the month following the end of the quarterly period in which the tax accrued, file with the ~~city clerk~~ Administrative Services Director a sworn statement, on a form to be provided and prescribed by the ~~city clerk~~ Administrative Services Director, for the purpose of ascertaining the tax due for the preceding quarterly period.

**Section 3. Amendment – Chapter 3.30.060 Due date - Delinquency.** The City of Shoreline hereby amends Shoreline Municipal Code 3.30.060 as set forth below:

A. The tax imposed ~~by~~ under SMC 3.30.020 shall be due and payable in quarterly installments, and remittance therefor shall accompany ~~such a~~ return on a form approved by the Administrative Services Director and be made on or before the thirtieth day of the month next succeeding the quarterly period in which the tax accrued. Quarterly reporting periods shall begin the first day of the months of January, April, July and October.

B. ~~For each payment due, if such payment is not made by the due date thereof, there shall be added a penalty as follows:~~

~~1. If paid on or before the thirtieth day of the second month next succeeding the quarterly period in which the tax accrued, 10 percent with a minimum penalty of \$5.00;~~

~~2. If paid on or before the sixtieth day of the second month next succeeding the quarterly period in which the tax accrued, 15 percent with a minimum penalty of \$10.00;~~

~~3. Failure to make payment by the sixtieth day of the second month succeeding the quarterly period in which the tax accrued shall result in a penalty of 20 percent with a minimum penalty of \$15.00. If payment of any tax due on a return to be filed by a taxpayer is not received by the Administrative Services Director by the due date, the Administrative Services Director shall add a penalty in accordance with RCW 82.32.090(1), as it now exists or as it may be amended.~~

C. If the Administrative Services Director determines that any tax has been substantially underpaid as defined in RCW 82.32.090(2), there shall be added a penalty in accordance with RCW 82.32.090(2), as it now exists or as it may be amended.

D. If a citation or criminal complaint is issued by the Administrative Services Director for the collection of taxes, fees, assessments, interest or penalties, there shall be added thereto a penalty in accordance with RCW 82.32.090(3), as it now exists or as it may be amended.

E. If the Administrative Services Director determines that all or any part of a deficiency



resulted from the taxpayer's failure to follow specific written tax reporting instructions, there shall be assessed a penalty in accordance with RCW 82.32.090(5), as it now exists or as it may be amended

F. If the Administrative Services Director finds that all or any part of the deficiency resulted from an intent to evade the tax payable, the Administrative Services Director shall assess a penalty in accordance with RCW 82.32.090(6), as it now exists or as it may be amended.

G. The penalties imposed under subsections (B) through (E) above of this section can each be imposed on the same tax found to be due. This provision does not prohibit or restrict the application of other penalties authorized by law.

H. The Administrative Services Director shall not impose both the evasion penalty and the penalty for disregarding specific written instructions on the same tax found to be due.

I. For the purposes of this section, "return" means any document a person is required by the City of Shoreline to file to satisfy or establish a tax or fee obligation that is administered or collected by the City, and that has a statutorily defined due date.

J. If incorporation into the City of Shoreline Municipal Code of future changes to RCW 82.32.090 is deemed invalid, then the provisions of RCW 82.32.090 existing at the time this ordinance is effective shall apply.

**Section 4. Amendment – Chapter 3.30.070 *Financial records*.** The City of Shoreline hereby amends Shoreline Municipal Code 3.30.070 as set forth below:

It shall be the responsibility of all officers, directors and managers of any corporation conducting any gambling activities subject to taxation under this chapter to make available at all reasonable times such financial records as the ~~city clerk~~ Administrative Services Director may require to determine full compliance with this chapter.

**Section 5. New Section – Chapter 3.30.100 *Underpayment of tax, interest, or penalty - Interest*.** The City of Shoreline hereby adds Shoreline Municipal Code 3.30.100 as set forth below:

A. If, upon examination of any returns, or from other information obtained by the Administrative Services Director, it appears that a tax or penalty less than that properly due has been paid, the Administrative Services Director shall assess the additional amount found to be due and shall add thereto interest on the tax only. The Administrative Services Director shall notify the person by mail of the additional amount, which shall become due and shall be paid within thirty (30) days from the date of the notice, or within such time as the Administrative Services Director may provide in writing.

B. The Administrative Services Director shall compute interest in accordance with RCW 82.32.050 as it now exists or as it may be amended. If this provision is held to be invalid, then the provisions of RCW 82.32.050 existing at the effective date of this ordinance shall apply.

**Section 6. Amendment – Chapter 3.32.050 Administration and audit.** The City of Shoreline hereby amends Shoreline Municipal Code 3.32.050 as set forth below:

A. The administration and collection of the tax imposed by SMC 3.32.010 shall be by the ~~city manager or manager's designee~~Administrative Services Director. The ~~manager~~Administrative Services Director is instructed and authorized to adopt appropriate reporting requirements and to make such further rules and regulations for the purpose of carrying out the provisions of this chapter.

B. Each taxpayer shall keep records reflecting the amount of the taxpayer's gross income from sales and services within the city and such records shall be open at all reasonable times to the inspection of the ~~finance director~~Administrative Services Director's duly authorized agent upon reasonable notice for verification of tax returns. In the event that such audit discloses a discrepancy of more than 10 percent between the amount reported by the taxpayer and the actual gross revenues collected by the taxpayer, the taxpayer shall reimburse the city for all costs associated with said audit.

**Section 7. Amendment – Chapter 3.32.060 Due date - Delinquency.** The City of Shoreline hereby amends Shoreline Municipal Code 3.32.060 as set forth below:

A. The tax imposed under SMC 3.32.010 shall be due and payable in monthly or quarterly installments at the taxpayer's discretion, and shall accompany a return on a form approved by the ~~finance director~~Administrative Services Director and be made on or before the thirtieth day of the month ~~following~~next succeeding the reporting period in which the tax accrued. Quarterly reporting periods shall begin the first day of the months of January, April, July and October.

B. ~~If payment is not made by the fifteenth day following the due date there shall be a penalty of 10 percent. This penalty shall increase to 15 percent on the thirtieth day following the due date and 20 percent on the forty fifth day following the due date if payment is not made.~~If payment of any tax due on a return to be filed by a taxpayer is not received by the Administrative Services Director by the due date, the Administrative Services Director shall add a penalty in accordance with RCW 82.32.090(1), as it now exists or as it may be amended.

C. If the Administrative Services Director determines that any tax has been substantially underpaid as defined in RCW 82.32.090(2), there shall be added a penalty in accordance with RCW 82.32.090(2), as it now exists or as it may be amended.

D. If a citation or criminal complaint is issued by the Administrative Services Director for the collection of taxes, fees, assessments, interest or penalties, there shall be added thereto a penalty in accordance with RCW 82.32.090(3), as it now exists or as it may be amended.

E. If the Administrative Services Director determines that all or any part of a deficiency resulted from the taxpayer's failure to follow specific written tax reporting instructions, there shall be assessed a penalty in accordance with RCW 82.32.090(5), as it now exists

or as it may be amended

F. If the Administrative Services Director finds that all or any part of the deficiency resulted from an intent to evade the tax payable, the Administrative Services Director shall assess a penalty in accordance with RCW 82.32.090(6), as it now exists or as it may be amended.

G. The penalties imposed under subsections (B) through (E) above of this section can each be imposed on the same tax found to be due. This provision does not prohibit or restrict the application of other penalties authorized by law.

H. The Administrative Services Director shall not impose both the evasion penalty and the penalty for disregarding specific written instructions on the same tax found to be due.

I. For the purposes of this section, “return” means any document a person is required by the City of Shoreline to file to satisfy or establish a tax or fee obligation that is administered or collected by the City, and that has a statutorily defined due date.

J. If incorporation into the City of Shoreline Municipal Code of future changes to RCW 82.32.090 is deemed invalid, then the provisions of RCW 82.32.090 existing at the time this ordinance is effective shall apply.

**Section 8. New Section – Chapter 3.30.100 Underpayment of tax, interest, or penalty - Interest.** The City of Shoreline hereby adds Shoreline Municipal Code 3.30.100 as set forth below:

A. If, upon examination of any returns, or from other information obtained by the Administrative Services Director, it appears that a tax or penalty less than that properly due has been paid, the Administrative Services Director shall assess the additional amount found to be due and shall add thereto interest on the tax only. The Administrative Services Director shall notify the person by mail of the additional amount, which shall become due and shall be paid within thirty (30) days from the date of the notice, or within such time as the Administrative Services Director may provide in writing.

B. The Administrative Services Director shall compute interest in accordance with RCW 82.32.050 as it now exists or as it may be amended. If this provision is held to be invalid, then the provisions of RCW 82.32.050 existing at the effective date of this ordinance shall apply.

**Section 9. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 10. Severability.** Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

**Section 11. Publication and Effective Date.** A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

**PASSED BY THE CITY COUNCIL ON JUNE 25, 2018**

\_\_\_\_\_  
Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik Smith  
City Clerk

\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication: \_\_\_\_\_, 2018  
Effective Date: January 1, 2019

**ORDINANCE NO. 828**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON,  
AMENDING THE FEE SCHEDULE OF THE 2018 FINAL BUDGET,  
CHAPTER 3.01.200 BUSINESS LICENSE FEES.**

WHEREAS, the 2018 Final Budget for the City of Shoreline was adopted by Ordinance No. 806 and subsequently amended by Ordinance Nos. 812, 814, 815 and 826; and

WHEREAS, Ordinance No. 806 included the repeal of the existing Shoreline Municipal Code (SMC) Chapter 3.01 *Fee Schedule* and adoption of a new Chapter 3.01 as set forth in Exhibit A to the Ordinance; and

WHEREAS, the City Council finds that the City should continue to charge an annual business license fee and penalty for late renewal; and

WHEREAS, the business licenses issued by the City currently expire one year from the date of issuance; and

WHEREAS, subsequent to the adoption of Ordinance No. 808, an evaluation of the business process to implement *FileLocal's* standard configuration of its online business licensing option it has been determined that all businesses will be required to apply for a new license on January 1, 2019 and all licenses issued in any given year will expire on December 31; and

WHEREAS, the City Council finds that it is in the best interest of the businesses conducting business in Shoreline to delay collection of the annual business license fee and penalty for late renewal prescribed in SMC 3.01.200(A) until January 2019 when all businesses will be required to renew their business license, thereby decreasing the financial impact to those businesses that would otherwise pay the fee in the fourth quarter of 2018 and the first quarter of 2019; and,

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,  
WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1. Amendment – Chapter 3.01 *Fee Schedule*.** The City of Shoreline hereby amends Shoreline Municipal Code 3.01.200(A) BUSINESS LICENSE FEES – GENERAL as set forth below:

<b>3.01.200 Business License Fees.</b>		
<b>A. BUSINESS LICENSE FEES - GENERAL</b>		<b>2018 Fee Schedule</b>
1.	Annual business license fee <u>effective January 1 through September 30, 2018 *</u>	\$40.00 Annual
2.	<u>Annual business license fee effective October 1 through December 31, 2018 *</u>	<u>\$0.00 Annual</u>

<u>2.3.</u>	<u>Penalty for late renewal as described in SMC 5.05.080 effective January 1 through September 30, 2018 *</u>	<u>\$20.00 Annual</u>
<u>4.</u>	<u>Penalty for late renewal as described in SMC 5.05.080 effective October 1 through December 31, 2018 *</u>	<u>\$0.00 Annual</u>
<u>* Business licenses renewed in 2018 will be effective through December 31, 2018, at which time the City will assume responsibility of issuing business licenses from the Department of Revenue Business License Service. This transition will require each business to apply for a new license by January 31, 2019, with those licenses and all others issued throughout the year expiring on December 31 of each year thereafter.</u>		

**Section 2. Directions to City Clerk.** The City Council directs the City Clerk to notify the Washington State Department of Revenue Business Licensing Service of the annual business license fee established in Section 1 of this Ordinance and to request that the Department of Revenue take all steps necessary to implement this fee.

**Section 3. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 4. Severability.** Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

**Section 5. Publication and Effective Date.** A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

**PASSED BY THE CITY COUNCIL ON JUNE 25, 2018**

\_\_\_\_\_  
Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik Smith  
City Clerk

\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication: \_\_\_\_\_, 2018  
Effective Date: \_\_\_\_\_, 2018

**Attachment C****RCW 82.32.050****Deficient tax or penalty payments—Notice—Interest—Limitations—Time extension or correction of an assessment during state of emergency.**

(1) If upon examination of any returns or from other information obtained by the department it appears that a tax or penalty has been paid less than that properly due, the department shall assess against the taxpayer such additional amount found to be due and shall add thereto interest on the tax only. The department shall notify the taxpayer by mail, or electronically as provided in RCW **82.32.135**, of the additional amount and the additional amount shall become due and shall be paid within thirty days from the date of the notice, or within such further time as the department may provide.

(a) For tax liabilities arising before January 1, 1992, interest shall be computed at the rate of nine percent per annum from the last day of the year in which the deficiency is incurred until the earlier of December 31, 1998, or the date of payment. After December 31, 1998, the rate of interest shall be variable and computed as provided in subsection (2) of this section. The rate so computed shall be adjusted on the first day of January of each year for use in computing interest for that calendar year.

(b) For tax liabilities arising after December 31, 1991, the rate of interest shall be variable and computed as provided in subsection (2) of this section from the last day of the year in which the deficiency is incurred until the date of payment. The rate so computed shall be adjusted on the first day of January of each year for use in computing interest for that calendar year.

(c) Interest imposed after December 31, 1998, shall be computed from the last day of the month following each calendar year included in a notice, and the last day of the month following the final month included in a notice if not the end of a calendar year, until the due date of the notice. If payment in full is not made by the due date of the notice, additional interest shall be computed until the date of payment. The rate of interest shall be variable and computed as provided in subsection (2) of this section. The rate so computed shall be adjusted on the first day of January of each year for use in computing interest for that calendar year.

(2) For the purposes of this section, the rate of interest to be charged to the taxpayer shall be an average of the federal short-term rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points. The rate set for each new year shall be computed by taking an arithmetical average to the nearest percentage point of the federal short-term rate, compounded annually. That average shall be calculated using the rates from four months: January, April, and July of the calendar year immediately preceding the new year, and October of the previous preceding year.

(3) During a state of emergency declared under RCW **43.06.010**(12), the department, on its own motion or at the request of any taxpayer affected by the emergency, may extend the due date of any assessment or correction of an assessment for additional taxes, penalties, or interest as the department deems proper.

(4) No assessment or correction of an assessment for additional taxes, penalties, or interest due may be made by the department more than four years after the close of the tax year, except (a) against a taxpayer who has not registered as required by this chapter, (b) upon a showing of fraud or of misrepresentation of a material fact by the taxpayer, or (c) where a taxpayer has executed a written waiver of such limitation. The execution of a written



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waiver shall also extend the period for making a refund or credit as provided in RCW

**82.32.060(2).**

(5) For the purposes of this section, "return" means any document a person is required by the state of Washington to file to satisfy or establish a tax or fee obligation that is administered or collected by the department of revenue and that has a statutorily defined due date.

[ **2008 c 181 § 501; 2007 c 111 § 106; 2003 c 73 § 1; 1997 c 157 § 1; 1996 c 149 § 2; 1992 c 169 § 1; 1991 c 142 § 9; 1989 c 378 § 19; 1971 ex.s. c 299 § 16; 1965 ex.s. c 141 § 1; 1961 c 15 § 82.32.050. Prior: 1951 1st ex.s. c 9 § 5; 1949 c 228 § 20; 1945 c 249 § 9; 1939 c 225 § 27; 1937 c 227 § 17; 1935 c 180 § 188; Rem. Supp. 1949 § 8370-188.]**

**NOTES:**

**Part headings not law—2008 c 181:** See note following RCW **43.06.220**.

**Part headings not law—2007 c 111:** See note following RCW **82.16.120**.

**Findings—Intent—1996 c 149:** "The legislature finds that a consistent application of interest and penalties is in the best interest of the residents of the state of Washington. The legislature also finds that the goal of the department of revenue's interest and penalty system should be to encourage taxpayers to voluntarily comply with Washington's tax code in a timely manner. The administration of tax programs requires that there be consequences for those taxpayers who do not timely satisfy their reporting and tax obligations, but these consequences should not be so severe as to discourage taxpayers from voluntarily satisfying their tax obligations.

It is the intent of the legislature that, to the extent possible, a single interest and penalty system apply to all tax programs administered by the department of revenue." [ **1996 c 149 § 1.**]

**Effective date—1996 c 149:** "This act shall take effect January 1, 1997." [ **1996 c 149 § 20.**]

**Effective date—Applicability—1992 c 169:** "(1) This act shall take effect July 1, 1992.

(2) This act is effective for all written waivers that remain enforceable as of July 1, 1992." [ **1992 c 169 § 4.**]

**Effective date—1991 c 142 §§ 9-11:** "Sections 9 through 11 of this act shall take effect January 1, 1992." [ **1991 c 142 § 13.**]

**Effective dates—Severability—1971 ex.s. c 299:** See notes following RCW **82.04.050**.

**Attachment D****RCW 82.32.090****Late payment—Disregard of written instructions—Evasion—Penalties.**

(1) If payment of any tax due on a return to be filed by a taxpayer is not received by the department of revenue by the due date, there is assessed a penalty of nine percent of the amount of the tax; and if the tax is not received on or before the last day of the month following the due date, there is assessed a total penalty of nineteen percent of the amount of the tax under this subsection; and if the tax is not received on or before the last day of the second month following the due date, there is assessed a total penalty of twenty-nine percent of the amount of the tax under this subsection. No penalty so added may be less than five dollars.

(2) If the department of revenue determines that any tax has been substantially underpaid, there is assessed a penalty of five percent of the amount of the tax determined by the department to be due. If payment of any tax determined by the department to be due is not received by the department by the due date specified in the notice, or any extension thereof, there is assessed a total penalty of fifteen percent of the amount of the tax under this subsection; and if payment of any tax determined by the department to be due is not received on or before the thirtieth day following the due date specified in the notice of tax due, or any extension thereof, there is assessed a total penalty of twenty-five percent of the amount of the tax under this subsection. No penalty so added may be less than five dollars. As used in this section, "substantially underpaid" means that the taxpayer has paid less than eighty percent of the amount of tax determined by the department to be due for all of the types of taxes included in, and for the entire period of time covered by, the department's examination, and the amount of underpayment is at least one thousand dollars.

(3) If a warrant is issued by the department of revenue for the collection of taxes, increases, and penalties, there is added thereto a penalty of ten percent of the amount of the tax, but not less than ten dollars.

(4) If the department finds that a person has engaged in any business or performed any act upon which a tax is imposed under this title and that person has not obtained from the department a registration certificate as required by RCW 82.32.030, the department must impose a penalty of five percent of the amount of tax due from that person for the period that the person was not registered as required by RCW 82.32.030. The department may not impose the penalty under this subsection (4) if a person who has engaged in business taxable under this title without first having registered as required by RCW 82.32.030, prior to any notification by the department of the need to register, obtains a registration certificate from the department.

(5) If the department finds that a taxpayer has disregarded specific written instructions as to reporting or tax liabilities, or willfully disregarded the requirement to file returns or remit payment electronically, as provided by RCW 82.32.080, the department must add a penalty of ten percent of the amount of the tax that should have been reported and/or paid electronically or the additional tax found due if there is a deficiency because of the failure to follow the instructions. A taxpayer disregards specific written instructions when the department has informed the taxpayer in writing of the taxpayer's tax obligations and the taxpayer fails to act in accordance with those instructions unless, in the case of a deficiency, the department has not issued final instructions because the matter is under appeal pursuant to this chapter or departmental regulations. The department may not assess the penalty under this section upon any taxpayer who has made a good faith effort to comply with the specific written instructions

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provided by the department to that taxpayer. A taxpayer will be considered to have made a good faith effort to comply with specific written instructions to file returns and/or remit taxes electronically only if the taxpayer can show good cause, as defined in RCW **82.32.080**, for the failure to comply with such instructions. A taxpayer will be considered to have willfully disregarded the requirement to file returns or remit payment electronically if the department has mailed or otherwise delivered the specific written instructions to the taxpayer on at least two occasions. Specific written instructions may be given as a part of a tax assessment, audit, determination, closing agreement, or other written communication, provided that such specific written instructions apply only to the taxpayer addressed or referenced on such communication. Any specific written instructions by the department must be clearly identified as such and must inform the taxpayer that failure to follow the instructions may subject the taxpayer to the penalties imposed by this subsection. If the department determines that it is necessary to provide specific written instructions to a taxpayer that does not comply with the requirement to file returns or remit payment electronically as provided in RCW **82.32.080**, the specific written instructions must provide the taxpayer with a minimum of forty-five days to come into compliance with its electronic filing and/or payment obligations before the department may impose the penalty authorized in this subsection.

(6) If the department finds that all or any part of a deficiency resulted from engaging in a disregarded transaction, as described in RCW **82.32.655**(3), the department must assess a penalty of thirty-five percent of the additional tax found to be due as a result of engaging in a transaction disregarded by the department under RCW **82.32.655**(2). The penalty provided in this subsection may be assessed together with any other applicable penalties provided in this section on the same tax found to be due, except for the evasion penalty provided in subsection (7) of this section. The department may not assess the penalty under this subsection if, before the department discovers the taxpayer's use of a transaction described under RCW **82.32.655**(3), the taxpayer discloses its participation in the transaction to the department.

(7) If the department finds that all or any part of the deficiency resulted from an intent to evade the tax payable hereunder, a further penalty of fifty percent of the additional tax found to be due must be added.

(8) The penalties imposed under subsections (1) through (4) of this section can each be imposed on the same tax found to be due. This subsection does not prohibit or restrict the application of other penalties authorized by law.

(9) The department may not impose the evasion penalty in combination with the penalty for disregarding specific written instructions or the penalty provided in subsection (6) of this section on the same tax found to be due.

(10) For the purposes of this section, "return" means any document a person is required by the state of Washington to file to satisfy or establish a tax or fee obligation that is administered or collected by the department, and that has a statutorily defined due date.

[ **2015 3rd sp.s. c 5 § 401; 2011 c 24 § 3; 2010 1st sp.s. c 23 § 203; 2006 c 256 § 6; 2003 1st sp.s. c 13 § 13; 2000 c 229 § 7; 1999 c 277 § 11; 1996 c 149 § 15; 1992 c 206 § 3; 1991 c 142 § 11; 1987 c 502 § 9; 1983 2nd ex.s. c 3 § 23; 1983 c 7 § 32; 1981 c 172 § 8; 1981 c 7 § 2; 1971 ex.s. c 179 § 1; 1967 ex.s. c 149 § 26; 1965 ex.s. c 141 § 3; 1963 ex.s. c 28 § 7; 1961 c 15 § 82.32.090. Prior: 1959 c 197 § 12; 1955 c 110 § 1; 1951 1st ex.s. c 9 § 9; 1949 c 228 § 23; 1937 c 227 § 18; 1935 c 180 § 192; Rem. Supp. 1949 § 8370-192.]**

**Attachment D****NOTES:**

**Construction—2017 c 323:** See note following RCW **82.08.052**.

**Effective dates—2015 3rd sp.s. c 5:** See note following RCW **82.08.052**.

**Application—2011 c 24:** See note following RCW **82.32.080**.

**Effective date—2010 1st sp.s. c 23:** See note following RCW **82.32.655**.

**Findings—Intent—2010 1st sp.s. c 23:** See notes following RCW **82.04.220**.

**Effective dates—Application—Savings—2006 c 256:** See notes following RCW **82.32.045**.

**Application—2003 1st sp.s. c 13 § 13:** "Except as otherwise provided in this section, section 13 of this act applies to all penalties imposed after June 30, 2003. The five percent penalty imposed in section 13(2) of this act applies to all assessments originally issued after June 30, 2003." [ **2003 1st sp.s. c 13 § 14.**]

**Effective dates—2003 1st sp.s. c 13:** See note following RCW **63.29.020**.

**Effective date—2000 c 229:** See note following RCW **46.16A.030**.

**Findings—Intent—Effective date—1996 c 149:** See notes following RCW **82.32.050**.

**Effective date—1992 c 206:** See note following RCW **82.04.170**.

**Effective date—1991 c 142 §§ 9-11:** See note following RCW **82.32.050**.

**Construction—Severability—Effective dates—1983 2nd ex.s. c 3:** See notes following RCW **82.04.255**.

**Construction—Severability—Effective dates—1983 c 7:** See notes following RCW **82.08.020**.

**Effective dates—1981 c 172:** See note following RCW **82.04.240**.

**Effective date—1981 c 7:** See note following RCW **82.32.045**.

**Construction—1971 ex.s. c 179:** "This 1971 amendatory act shall apply only to taxes becoming due and payable in June, 1971 and thereafter." [ **1971 ex.s. c 179 § 2.**]