

ORDINANCE O-4816

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO AMENDING SECTION 7.02.160 OF THE KIRKLAND MUNICIPAL CODE REGARDING THE REVENUE GENERATING REGULATORY LICENSE FEE.

- 1 WHEREAS, Kirkland’s two-part business license fee under
- 2 chapter 7.02 of the Kirkland Municipal Code includes a basic fee
- 3 per business plus a revenue generating regulatory license fee
- 4 (RGRL) based on the number of full-time equivalent (FTE)
- 5 employees; and
- 6
- 7 WHEREAS, Kirkland’s business licensing fees help pay for
- 8 business-related services through the City’s Economic
- 9 Development Program and are an increasingly important source
- 10 of general fund revenue; and
- 11
- 12 WHEREAS, the City has not increased the RGRL per FTE
- 13 fee since 2017 and has not changed the threshold for the gross
- 14 income exemption since 2008; and
- 15
- 16 WHEREAS, in July 2022, the City Council was presented
- 17 recommendations from a Revenue Sustainability and Equity report
- 18 on potential revenue changes to make the City’s revenue more
- 19 equitable and sustainable, including evaluating business license
- 20 fee scenarios based on the considerations of adequacy, stability,
- 21 equity, ease of administration, and impacts to behavior; and
- 22
- 23 WHEREAS, as part of the Revenue Sustainability and Equity
- 24 report, the recommendation was made that the City adopt a \$25
- 25 across-the-board increase to the RGRL fee, partially offset by an
- 26 increase in the threshold for exemption from \$12,000 in gross
- 27 income to \$20,000 in gross income; and
- 28
- 29 WHEREAS, an across-the-board increase to RGRL fees was
- 30 determined to be horizontally equitable and would have the lowest
- 31 risk of unintended impacts for certain sectors, while an increase
- 32 in the gross income exemption threshold can provide some
- 33 protection for businesses with relatively low income and low
- 34 margin, with both changes factoring in inflation; and
- 35
- 36 WHEREAS, street maintenance directly benefits Kirkland
- 37 businesses by providing safe and smooth streets for delivery of
- 38 goods and services as well as for employees to commute to and
- 39 from work in all travel modes, and indicates a strong quality of life
- 40 for residents and visitors which contributes to Kirkland being a
- 41 great place to locate and operate a business; and

42 WHEREAS, new revenue from an increase to the RGRL fee
43 will help preserve existing service levels of these community
44 priorities.

45
46 NOW, THEREFORE, the City Council of the City of Kirkland
47 do ordain as follows:

48
49 Section 1. Section 7.02.160 of the Kirkland Municipal Code,
50 and the corresponding portions of Ordinance O-4161, is amended
51 to read as follows, with new text shown in underline and deleted
52 text shown in ~~strikethrough~~:

53
54 **7.02.160 Revenue generating regulatory license fee**
55 **(RGRL).**

56
57 (a) General. In addition to the basic license fee, the highest
58 applicable RGRL in this section shall be paid for the annual license
59 issued under this chapter.

60
61 (1) A business with less than ~~twelve~~ twenty thousand dollars
62 of average annual gross receipts shall be exempt from any
63 RGRL.

64
65 (2) A business located within the city limits of Kirkland with
66 ten or fewer employees or FTEs shall be exempt from the
67 RGRL for the first year of business operation only. Businesses
68 exempt from the RGRL under this subsection shall still be
69 required to pay the basic license fee under
70 Section 7.02.120 and register the number of employees and
71 FTEs under this chapter.

72
73 (3) For the purposes of this section and in determining the
74 applicable RGRL, the term "employee" means and includes
75 each of the following persons who are not required by the city
76 to have his/her/its own separate city of Kirkland business
77 license:

78
79 (A) Any person who is on the business's payroll, and includes
80 all full-time, part-time, and temporary employees or workers;
81 and

82
83 (B) Self-employed persons, sole proprietors, owners,
84 managers, and partners; and

85
86 (C) Any other person who performs work, services or labor at
87 the business, including an independent contractor who is not
88 required to have a separate city of Kirkland business license.

89
90 (4) An entity that is entirely exempt from paying the basic
91 license fee shall be exempt from any RGRL.

92
93 (5) An entity with some activities or functions that are exempt
from the basic license fee and some that are not exempt shall

94 pay an RGRL based on the number of its employees that are
 95 involved in the functions or activities that are not exempt.
 96

97 (b) Amount of RGRL.
 98

99 (1) Revenue Generating Regulatory License (RGRL) Fee
 100 Method. Except as otherwise provided by this chapter, every
 101 person engaging in business within the city shall pay an RGRL
 102 based upon the number of employee hours worked in Kirkland
 103 during the previous year. Annual employee hours are
 104 calculated based on the sum of the four quarterly reports
 105 submitted to the Washington State Department of Labor and
 106 Industries for the previous year. It will be the responsibility of
 107 the employer to determine the number of hours worked within
 108 the city from these reports. Businesses that did not file
 109 quarterly reports with the Washington State Department of
 110 Labor and Industries shall determine the number of hours
 111 worked within the city and demonstrate, if required, to the
 112 satisfaction of the finance and administration director or
 113 his/her authorized agent, that the number of employee hours
 114 worked is correct.
 115

116 (2) The annual license fee (~~base fee~~ basic license fee and
 117 RGRL) shall be calculated by adding the ~~base fee~~ basic license
 118 fee of one hundred dollars per business license to the full-time-
 119 equivalent employees that worked in Kirkland multiplied by
 120 one hundred and thirty dollars (\$130) ~~one hundred and five~~
 121 ~~dollars~~. The approved tax rate per full-time employee is
 122 ~~\$0.067709~~ ~~\$0.054688~~ (which represents a RGRL multiplier of
 123 ~~\$0.067709~~ ~~\$0.054688~~ per employee hour worked), as may be
 124 adjusted herein. Employers without a full year history would
 125 need to estimate the number of employee hours that will be
 126 worked in the current calendar year.
 127

128 (3) If a business has more than one location in Kirkland, the
 129 annual business license fee calculation must include a ~~base fee~~
 130 basic license fee for each location and the RGRL for annual
 131 employee hours at all locations.
 132

133 (c) Alternative FTE Method. A business may choose to calculate
 134 its annual license fee by adding the ~~one hundred dollar base fee~~
 135 basic license fee to the RGRL based on multiplying ~~one hundred~~
 136 ~~and five dollars~~ one hundred and thirty dollars (\$130) by the
 137 number of its employees. The number of employees shall be
 138 based on the sum of the employees in the four quarterly reports
 139 submitted to the Washington State Department of Labor and
 140 Industries for the previous year divided by four. It will be the
 141 responsibility of the employer to determine the number of
 142 employees working within the city from these reports. Businesses
 143 that did not file quarterly reports with the Washington State
 144 Department of Labor and Industries shall determine the number
 145 of employees working in the city and demonstrate, if required, to
 146 the satisfaction of the finance and administration director or
 147 his/her authorized agent, that the number of employees is correct.

148 Employers without a full year history would need to estimate the
149 number of employees that will work in the city for the current
150 calendar year.

151
152 (1) Once the FTE methodology has been selected, it must be
153 used for future renewals.

154
155 (2) Businesses with more than one location must use the
156 same method of calculation for all locations.

157
158 (3) For businesses with employees who work less than one
159 thousand, nine hundred twenty hours per year (the work hour
160 figure used by the Washington Department of Labor and
161 Industries) the total number of hours worked by all such
162 employees during the four quarters of the previous year shall
163 be added together and divided by one thousand, nine
164 hundred twenty to determine the FTE equivalency.

165
166 (4) It will be the responsibility of the business to determine
167 the total number of FTEs (or equivalency) and demonstrate,
168 if required, to the satisfaction of the finance and
169 administration director or his/her authorized agent that the
170 calculation is accurate.

171
172 (d) The license fee for a business required to be licensed under
173 this chapter and not located within the city's corporate limits shall
174 be calculated by adding the ~~one hundred dollar base fee~~ basic
175 license fee and the RGRL based upon the number of employee
176 hours worked within the city, but in no event shall the license fee
177 be less than the minimum fee set forth in this chapter. If the
178 number of employee hours worked is not known at the time of
179 renewal, the business shall estimate the maximum number of
180 employee hours they anticipate using in Kirkland during the year.

181
182 (e) Businesses doing business in the city that have no employees
183 physically working within the city shall pay the minimum license
184 fee required under this chapter.

185
186 (f) The minimum fee for any license issued under this chapter
187 shall be ~~two hundred and five dollars (a the base fee basic license~~
188 ~~fee of one hundred dollars and an the minimum RGRL of one~~
189 ~~hundred and five dollars),~~ as may be adjusted herein.

190
191 (g) Payment made by draft or check shall not be deemed a
192 payment of the fee unless and until the same has been honored
193 in the usual course of business, nor shall acceptance of any such
194 check or draft operate as a quittance or discharge of the fee unless
195 and until the check or draft is honored. The Business Licensing
196 Service will address any dishonored payment submitted through
197 its processes. Any person who submits a business license fee
198 payment by check directly to the city pursuant to the provisions
199 of this chapter shall be assessed an NSF fee set by the finance
200 and administration director if the check is returned unpaid by a

201 bank or other financial institution for insufficient funds in the
202 account or for any other reason.

203
204 (h) If any person required by the terms and provisions of this
205 chapter to pay a license fee for any period fails or refuses to do
206 so, he or she shall not be granted a license for the current period
207 until the delinquent license fee, together with penalties, has been
208 paid in full. Any license fee due and unpaid under this chapter and
209 any penalties thereon shall constitute a debt to the city and may
210 be collected in court proceedings in the same manner as any other
211 debt in like amount, which remedy shall be in addition to all other
212 existing remedies.

213
214 (i) If no higher RGRL applies under this section, then the
215 minimum RGRL shall be based on one FTE ~~one hundred and five~~
216 ~~dollars~~.

217
218 Section 2. If any provision of this ordinance or its
219 application to any person or circumstance is held invalid, the
220 remainder of the ordinance or the application of the provision to
221 other persons or circumstances is not affected.

222
223 Section 3. This ordinance shall be in force and effect on
224 January 1, 2023, after its passage by the Kirkland City Council and
225 publication pursuant to Section 1.08.017, Kirkland Municipal Code
226 in the summary form attached to the original of this ordinance and
227 by this reference approved by the City Council.

228
229 Passed by majority vote of the Kirkland City Council in open
230 meeting this 18th day of October, 2022.

231
232 Signed in authentication thereof this 18th day of October,
233 2022.



Jay Arnold, Deputy Mayor

Attest:



Kathi Anderson, City Clerk

Approved as to Form:



Darcey Eilers, Assistant City Attorney

Publication Date: 10/24/2022

PUBLICATION SUMMARY
OF ORDINANCE NO. O-4816

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO AMENDING SECTION 7.02.160 OF THE KIRKLAND MUNICIPAL CODE REGARDING THE REVENUE GENERATING REGULATORY LICENSE FEE.

SECTION 1. Amends Kirkland Municipal Code Section 7.02.160 related to revenue generating regulatory license fees.

SECTION 2. Provides a severability clause for the ordinance.

SECTION 3. Authorizes publication of the ordinance by summary and establishes the effective date as January 1, 2023, after publication of summary.

The full text of this Ordinance will be mailed without charge to any person upon request made to the City Clerk for the City of Kirkland. The Ordinance was passed by the Kirkland City Council at its meeting on the 18 day of October, 2022.

I certify that the foregoing is a summary of Ordinance 4816 approved by the Kirkland City Council for summary publication.



Kathi Anderson, City Clerk