

## **Seattle Rule 5-002**

### **Business License Tax Certificate Requirements**

- (1) **Introduction.** This rule identifies the City of Seattle business license tax certificate requirements and fees. The rule also explains how persons engaged in business activities in the City of Seattle apply for and renew their business license tax certificate.
- (2) **Definitions.**
  - (a) “Gross amount” means “gross income of the business” as defined in SMC 5.30.035 D.
  - (b) “General deductions” means all deductions identified in SMC 5.45.100 except the standard deduction.
  - (c) “Standard deduction” means the \$2 million standard deduction available to businesses effective January 1, 2026 identified in SMC 5.45.100.W.
  - (d) “Taxable revenue” means gross income of the business as defined in SMC 5.30.035 D. less amounts for applicable general deductions but before subtracting the \$2 million standard deduction.
  - (e) “Taxable amount” means gross income of the business as defined in SMC 5.30.035 D. less amounts for applicable general deductions identified in SMC 5.45.100 and the \$2 million standard deduction.
- (3) **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 in the City shall apply for and obtain a business license tax certificate, unless
  - (a) exempt from licensing and tax requirements pursuant to SMC 5.45.090,
  - (b) exempt under the \$4,000 minimum business license tax certificate threshold under SMC 5.55.030.G.,
  - (c) 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), or
  - (d) the activity falls within the safe harbor provisions provided under SMC 5.30.030.B.5 in which a seller located outside the City merely delivering goods into the City by means of a common carrier is not required to register and obtain a business license tax certificate provided that it engages in no other business activities in the City.
- (4) **Seattle Business License Tax Certificate Fees.**
  - (a) Effective January 1, 2017, through December 31, 2017, under SMC 5.55.030.A, the

fee for the business license tax certificate shall be:

- (i) 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;
  - (ii) 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;
  - (iii) 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;
  - (iv) 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.
- (b) Effective January 1, 2018 to December 31, 2018, under SMC 5.55.030.A, the fee for the business license tax certificate shall be:
- (i) 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;
  - (ii) 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;
  - (iii) 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;
  - (iv) 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.

- (v) 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.
- (c) Effective January 1, 2019 to December 31, 2019, under SMC 5.55.030.A, the fee for the business license tax certificate shall be:
- (i) 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;
  - (ii) 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;
  - (iii) 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;
  - (iv) 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.
  - (v) 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.
- (d) Effective 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.

- (e) Effective January 1, 2026, the city will calculate the business license tax certificate fee based on the taxable revenue.

**(5) Business license tax certificate threshold.**

- (a) Effective January 1, 2019 to December 31, 2025, 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.
- (b) Effective January 1, 2026, 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 \$4,000 and who does not maintain a place of business within the City is not required to obtain a business license tax certificate. A person's value of products, gross proceeds of sales, or gross income in the city is determined without subtracting the standard deduction provided under SMC 5.45.100.W.

**(6) Business License Tax Certificate Application, Display, Renewal and NSF Checks.**

- (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.
- (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 SMC 5.55.030(E).
- (f) Any license issued upon payment with an NSF check will be considered void and shall be returned to the Director. No license shall be reissued until payment (including the twenty dollar (\$20.00) NSF fee) is received.

**(7) Examples**

Examples included in this rule identify facts and then state a conclusion; they should be used only as a general guide. The tax consequences of all situations must be determined after a review of all facts and circumstances. Additionally, each fact pattern in each example is self-contained (i.e., "stands on its own") unless otherwise indicated by reference to another example. Examples concluding that business license tax applies to the transaction assume that no exclusions or exemptions apply, and the sale is sourced to Seattle.

**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 2022 and \$600,000 in 2023. In December of 2024, the City of Seattle mails business X's 2025 business license tax certificate fee renewal notice. The business license tax certificate fee due for 2025 is \$650. The business license tax certificate fee due is based on the most recent complete calendar year. At the time the 2025 business license tax certificate fee renewal is issued in December 2024, the 2023 calendar year is the most recent complete year. Therefore, the 2025 business license tax renewal fee due is based on the 2023 taxable amounts.

**Example 2.** Business W has been engaged in business in the City of Seattle and registered for several years. Business W reported the following taxable gross income amounts: \$1.5 million in 2023 and \$1.7 million in 2024. In December of 2025, the City of Seattle mails business W's 2026 business license tax certificate fee renewal notice. The business license tax certificate fee due for 2026 is \$667. The business license tax certificate fee due is based on the most recent complete calendar year. At the time the 2026 business license tax certificate fee renewal is issued in December 2025, the 2024 calendar year is the most recent complete year. Therefore, the 2026 business license tax renewal fee due is based on the 2024 taxable amounts.

**Example 3.** Business T has been engaged in business in the City of Seattle and registered for several years. In December of 2027, the City of Seattle mails Business T's 2028 business license tax certificate fee renewal notice. The business license tax certificate fee due is based on the most recent complete calendar year. At the time the 2028 business license tax certificate fee renewal is issued in December 2027, the 2026 calendar year is the most recent complete year. Effective 2026, Business T qualified for the \$2 million standard deduction. However, Business T's 2028 business license tax renewal fee due is based on the 2026 taxable revenue, the taxable amount before subtracting their \$2 million standard deduction.

**Example 4.** Business Y is a new business that will open in August 2024 in the City of Seattle. Business Y's business license tax fee due at the time of registration is \$34.00. Business Y has no previously reported taxable amounts due because it is a new business. Therefore, Business Y'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 \$34.00 based on the \$68.00 tier prorated for half a year. Business Y will

receive a renewal notice for 2025 in December 2024. At that time there is no prior tax reporting history as the business just began in 2024. The 2025 license renewal fee will default to \$68.00. When the business files its 2024 tax return, the 2025 renewal fee will be trued up if the revenue reported requires a license fee of more than the defaulted \$68.00. Business Y will be notified of any additional fee.

**Example 5.** Business R is a new business that will open in August 2026 in the City of Seattle. Business R's business license tax certificate fee due at the time of registration is \$37.00. Business R has no previously reported taxable amounts due because it is a new business. Therefore, Business R'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 \$37.00 based on the \$73.00 tier prorated for half a year. Business R will receive a renewal notice for 2028 in December 2027. At that time there is no prior tax reporting history as the business just began in 2026. The 2027 business license tax certificate renewal fee will default to the lowest tier amount. When the business files its 2026 tax return, Business R will qualify for the \$2 million standard deduction. Business R's 2027 business license tax certificate renewal fee will be based upon their 2026 taxable revenue, the taxable amount before subtracting the standard deduction. The 2027 renewal fee will be trued up if their reported taxable revenue requires a business license tax certificate fee of more than the defaulted lowest tier amount. Business R will be notified of any additional fee.

**Example 6.** Business MM realizes they need a Seattle business license tax certificate. They have been doing business in Seattle since February 2023. It is now 2024. Business MM registers its business in March 2024. At the time of registration, there is no filing history for Business MM. Business MM will pay \$65.00 for 2023 and \$68.00 for 2024. When Business MM files its tax return for 2023, the 2024 license fee will be trued up if the revenue reported requires a license fee of more than the defaulted \$68.00. Business MM will be notified of any additional fee.

**Example 7.** Same facts as Example 6, except that MM has been doing business in Seattle since 2026. It is now 2027. Business MM registers its business in March of 2027. At the time of registration, there is no filing history for Business MM. Business MM will pay \$73.00 for 2026 and the lowest tier fee amount for 2027. When Business MM files its business license tax return for 2026, they will qualify for the \$2 million standard deduction. Business MM's 2027 business license tax certificate renewal fee will be based upon their 2026 taxable revenue, MM's taxable amount before standard deduction. The 2027 renewal fee will be trued up if their reported taxable revenue, the taxable amount before subtracting the standard deduction, requires a business license tax certificate fee of more than the defaulted lowest tier amount. Business MM will be notified of any additional fee.

**Example 8.** In 2025, Business DD will be starting business in Seattle. 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 \$2,000 in taxable revenue. Business DD does not need to register for a Seattle business license tax certificate. Should Business DDs revenue in 2025 exceed \$2,000, Business DD will need to contact the Office of City Finance (OCF) and register for a Seattle business license tax certificate.

**Example 9.** Same facts as Example 8, except that Business DD will be starting business in Seattle in 2026. Business DD is located outside Seattle city limits and has no locations within Seattle city limits. In 2026, Business DD does not anticipate doing business in Seattle that will generate more than \$4,000 in taxable amount before the standard deduction. Business DD does not need to register for a Seattle business license tax certificate. Should Business DDs taxable amount before standard deduction in 2026 exceed \$4,000, Business DD will need to contact the Department and register for a Seattle business license tax certificate.

**(8) Other Rules May Apply.**

- (a) Seattle Dir. Rule 5-003 Business License Suspension and Revocation
- (b) Seattle Dir. Rule 5-004 Transfer of a Business License

**DIRECTOR'S CERTIFICATION**

I, Jamie Carnell, Director of the Office of City Finance, City of Seattle, do hereby certify under penalty of perjury of law, that the within and foregoing is a true and correct copy as adopted by the City of Seattle, Office of City Finance.

DATED this \_\_\_\_\_ day of December, 2025.

CITY OF SEATTLE, a Washington municipality

By: \_\_\_\_\_

Jamie Carnell, Director

Office of City Finance