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The University of Montana

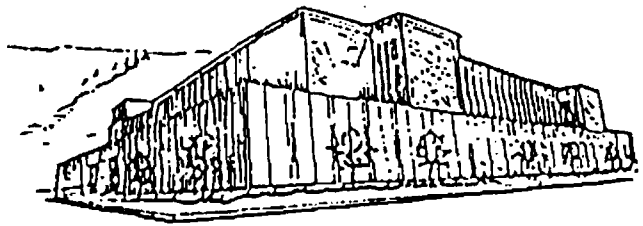
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Jeffrey Weldon

Date: Sept. 7, 94

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STATE BUSINESS LICENSING PROCEDURES:
EXPLORING THE OPTION OF
A MASTER LICENSE PROGRAM FOR MONTANA

by

Jeffrey A. Weldon

B. A. The University of Montana, 1986

presented in partial fulfillment of the requirements

for the degree of

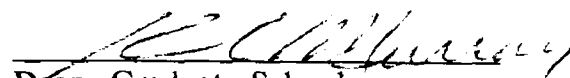
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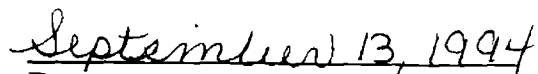
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PREFACE

This study began with a personal experience. I assisted in the opening of a business in Seattle, Washington, and was impressed with the ease with which I was able to apply for and receive various state licenses. At the same time, I helped open an office in Washington, D. C., which did not go as well; in fact, the process was so frustrating and difficult that I wondered for some time whether or not the business had all the requisite licenses. My experiences with Washington State and Washington, D. C., licensing procedures led me to wonder what process a business had to complete to open its doors in Montana, which in turn led to this professional paper. I hope that this study will encourage business activity in Montana by improving the current Montana system.

I want to thank the Montana Department of Commerce, the Montana Legislative Council, the Montana Legislative Fiscal Analyst Office, and the Washington Department of Licensing for their assistance. Also, I appreciate the editing help offered by Bill Babcock.

Finally, this paper would not have been completed without the constant and gentle encouragement of my wife. Thanks, Les.

TABLE OF CONTENTS

PREFACE ii

LIST OF TABLES vi

Chapter

1. INTRODUCTION 1

Travelers' Rest Grocery: A Lewis and Clark Expedition

Helping Take the Hassle out of Business Licensing

Background Discussion

Government and Business

The Spirit and Curse of Government "Reinvention"

Meaningful Change

2. WASHINGTON STATE'S MASTER LICENSE SYSTEM 9

Introduction

Program History

MLS Organization and Services

Master License Origination

Master License and Corporate Renewal

Miscellaneous Licensure

Counter and Phone Inquiries

Customized License Information Packets

Form Creation and Distribution

Report Generation

2. WASHINGTON STATE'S MASTER LICENSE SYSTEM	9
MLS Organization and Services	
Generation of <u>Operating a Business in Washington</u>	
Benefits of MLS	
Benefits to State Government	
Benefits to the Business Community	
Benefits to the Citizens of Washington	
Program Funding	
Conclusion	
3. MONTANA'S BUSINESS LICENSING SYSTEM	32
Introduction	
Program History	
The Montana Business Licensing Center	
The Montana Secretary of State	
Conclusion	
4. CONCLUSIONS AND RECOMMENDATIONS	46
Option 1: Enhance the Operation of the Business Licensing Center	
Option 2: Adopt and Implement a Washington State Style Master License Program	
Option 3: Move Toward A MLS by Developing and Implementing a Pilot Program	
Appendix	
A. STATE OF WASHINGTON 1976 BUSINESS COORDINATION ACT.	53

Appendix

**B. STATE OF WASHINGTON MASTER LICENSE SYSTEM
ORGANIZATIONAL AND FLOW CHARTS 56**

C. STATE OF WASHINGTON MASTER LICENSE 61

D. STATE OF WASHINGTON NEW BUSINESS PACKET MATERIAL . . . 64

E. MONTANA SMALL BUSINESS LICENSING COORDINATION ACT . . . 97

SOURCES CONSULTED 101

LIST OF TABLES

Table

- 1. Registrations and Licenses Required of a Grocery Store in Montana 3
- 2. Registrations and Licenses Available Through the Master License Service
by way of the Master Business Application 23
- 3. MLS Fee Structure and FY 1994 Revenues 29
- 4. Montana State Agency Licensing Summary 33

CHAPTER 1

INTRODUCTION

Travelers' Rest Grocery: A Lewis and Clark Expedition¹

Following a dream of having their own business, Emily Lewis and Bill Clark boldly decided to open a grocery store near their home in Lolo, Montana. They wanted to serve their community by operating a small, but full-service grocery store. After several nights of intense study, the couple sorted out the details: they would call their business the Travelers' Rest Grocery and they would definitely have to hire employees. They planned to sell a wide variety of foods, including fruits and vegetables, candy, dairy products, and eggs. They also wanted to provide their customers with fresh-baked goods, meats, and fish, so they decided to include a bakery and butcher shop in their business plan. They also decided to sell cigarettes, beer, and wine. Finally, like many small-town grocers, they decided to attach a small gasoline station to their store. On the advice of a friend who was a lawyer they decided to form a closely held corporation for the business to help limit Em and Bill's liability.

To save the money they would have to pay a lawyer or a consultant, Em and

¹Modified to fit the state of Montana from a concept presented in Department of Licensing, State of Washington, Update MLS (Olympia, WA: Department of Licensing, undated), 1.

Bill decided to tackle the gathering of the state licenses required for their business on their own. This decision began their expedition into state licensing.

With an "800" number they found in their phone book, they called the Montana Business Licensing Center in Helena. "So far, so good," Em and Bill thought when they found the number. "Seems like a pretty simple thing to do."

It took awhile to reach the State's Business Licensing Specialist in the Business Licensing Center. The specialist discussed with them the kind of business Em and Bill wanted to start and told them that they had to apply for and receive several business licenses.

The Business Licensing Center, a one-person information clearinghouse in the Department of Commerce, provided them with a checklist of licenses and registrations they needed to gather in order to open their grocery store. (Table 1 lists the registrations and licenses required of a grocery store in Montana.)

To open one small business, Em and Bill had to arrange for twelve licenses, permits, and registrations located in nine divisions of seven state agencies. The time spent completing the several applications and following through with the divisions was time not spent on directly developing their business.

By their own admission, Em and Bill's experience was not a nightmare. Nevertheless, they were not pleased with the amount of work it took to satisfy the requirements of state government. In fact, every time a customer complained to Bill about government, Bill would start a story with "Hell, let me tell you what we had to go through just to open this business. . . ."

TABLE 1
REGISTRATIONS AND LICENSES REQUIRED OF
A GROCERY STORE IN MONTANA

License	State Agency	Agency Division
Beer Retail	Department of Revenue	Liquor Division
Cigarette Dealer	Department of Revenue	Income & Misc. Tax Division
Egg Dealer	Department of Livestock	State Veterinarian
Food Purveyor	Department of Health & Environmental Sciences	Food & Consumer Safety Bureau
Certificate of Limited Partnership	Secretary of State	Business Services Bureau
Meat & Poultry Depot	Department of Livestock	State Veterinarian
Montana Tax Identification Number	Department of Revenue	Income & Misc. Tax Division
Petroleum Dealer	Department of Commerce	Weights & Measures Bureau
Unemployment Insurance Employer Registration	Department of Labor & Industry	Unemployment Insurance Division
Weighing Device	Department of Commerce	Weights & Measures Bureau
Wine Retail	Department of Revenue	Liquor Division
Workers' Compensation Insurance Application	State Compensation Mutual Insurance Fund	Policy Services Division

Source: Rebecca R. Baumann, Business Licensing Specialist. Montana Business Licensing Handbook (Helena, MT: Montana Department of Commerce, Business Development Division, Small Business Development Center, January 1992).

Helping Take the Hassle out of Business Licensing

The tale of this hypothetical Lewis and Clark may appear exaggerated; it is not. The story illustrates the number of licenses and registrations a grocery business must acquire in the state of Montana. Although other business ventures might not have to obtain the same number of licenses, a business person who plans to hire employees must complete, at a minimum, separate paperwork for the Secretary of State, Department of Revenue, Department of Labor and Industry, and the State Fund. Moreover, the initial task of gathering and completing the applications and seeing that the licenses are granted is compounded by periodically renewing most licenses.

Simply stated, the requirement of initial business registration and licensure is often a hassle. The current system of licensure in Montana creates a great deal of paperwork that is cumbersome for and places an undue hardship on a business person, who, in Montana, is usually an individual wanting to open a small business enterprise.

This study asks the question: What steps can be taken to address this issue and to improve Montana's licensing system for the business community and for the state government? To that end, the study primarily focuses on a possible method to ease the process of applying for and receiving business registrations and licenses--namely a "one-stop" or master license system. Chapter 2 discusses the state of Washington's one-stop system, the Master License Service program. Chapter 3 examines the state of Montana's system for registration and licensing. Finally, chapter 4 offers options to improve the current Montana system.

To help improve the status quo, the situations described and the conclusions drawn in this study have been discussed with the director of the Montana Department of Commerce (DOC) and the state's Business Licensing Specialist in the DOC. They and the author hope that the current Governor and 54th Legislature, convening in January 1995, will consider the issue of business licensing and act on one of the options discussed in chapter 4.

Background Discussion

Government and Business

A significant part of doing business in this society involves addressing the needs and requirements of governments. This marriage of government and business has probably always strained both. At times, the hand of government on business has been light (e. g., Coolidge's philosophy that the "business of America is business") and, at times, it has been heavy (e. g., Roosevelt's New Deal legislation and wartime regulations). In either case, any business plan includes provisions for government involvement and for the satisfaction of government regulations.

As in other states, part of doing business in Montana is satisfying the registration, regulation, and tax requirements of the state and its sub-jurisdictions. For example, a business must register its name with the Secretary of State, provide for appropriate accounts with the Departments of Revenue and Labor and Industry, and apply for and receive appropriate licenses from a few or possibly many executive branch agencies.

The Spirit and Curse of Government "Reinvention"

Part of the answer to the question of why one should examine the topic of business licensing lies within the contemporary phenomenon commonly called government "reinvention." Political leaders and government managers are clamoring to respond to public dissatisfaction with government by undertaking in most cases ad hoc efforts to reform or to improve government functions.

The origins of public dissatisfaction are varied, complex, and, for the purposes of this introduction, speculative. Part of the contemporary public distrust of and disgust with government is the current American generations' experience with the federal government which has grown to an unprecedented size over the past half century due to Depression-era reform measures and the development of a warfare state during World War II and the Cold War. Born or having come to age under a government reinvented by Franklin Roosevelt and subsequent world events, the present populace's frame of reference for modern government is that of a large and active federal government. During this time, the electorate demanded and politicians promised an ever increasing number of privileges, rights, and services from modern government.

Compounding modern American political life is a series of dramatically bad experiences Americans have had with their relatively large and active government over the past four or five decades. Enhanced by a new found mass media, events of the McCarthy era, the Vietnam war, the Watergate years, and the Reagan administration have embittered the American public. Works by journalists and social

scientists maintain that much of the public perceives government as inept and ineffectual, at best, and sinister and evil, at worst.

Political incumbents and challengers have attempted to respond to this anger and frustration by calling for and promising political reform by "reinventing" government, a term taken from David Osborne and Ted Gaebler's Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector. In some cases, the use of Osborne and Gaebler's principles has presented possibly useful and meaningful government reform measures². In other cases, however, the term has been ill-defined and has resulted in little meaningful reform.

Meaningful Change

"Reinventing" government is not necessarily just a buzzword. Reform or reinvention can result in meaningful change that either improves government or enhances the public perception of it. To that end, this study proposed to address a relatively small, yet significant governmental function--government licensing. More specifically, this study focuses on the processes by which the states of Washington and Montana initially register and license new businesses.

Montana's state and local government officials and Montana's business community are continually attempting to make Montana more attractive to businesses

²President Clinton's National Performance Review used principles advanced by Osborne and Gaebler, such as decentralized decision-making authority and market-oriented government. The President issued several executive orders to carry out the review's suggestions.

in order to promote economic development and thereby create employment. Their efforts include tax reform, state regulatory reform, and other private and public measures to encourage new businesses to open their doors in and existing businesses to relocate to Montana. Finally, this study attempts to make Montana more attractive to business by proposing measures that will simplify and improve the process of new business licensing.

CHAPTER 2

WASHINGTON STATE'S MASTER LICENSE SYSTEM

Introduction

Since the mid-1970s, the state of Washington's Business License Service (BLS) and its Master License Service (MLS) program have been responsible for coordinating many of the state's licensing and registration functions. Washington was the first state in the nation to develop a coordinated licensing system commonly called a "one-stop" licensing shop. The system has been examined by several states and was the licensing model employed by at least Kentucky, South Carolina, and New South Wales, Australia.³

The Washington legislature created the BLS to simplify business licensing. In particular, the legislature intended to aid individual businesses and the business community by providing a "convenient, accessible, and timely one-stop system . . . to acquire and maintain the necessary state licenses to conduct business."⁴ The legislature further stated in the enabling legislation that it intended the MLS to assist the business community by reducing licensing paperwork by providing an easily accessible channel for information about starting a business in Washington and by

³Ken Mark, Assistant Director for Administrative Services, Department of Licensing, State of Washington, interview by author, July 26, 1994, Olympia, Washington.

⁴RCW 19.02.010.

eliminating obsolete and duplicative licensing requirements and forms.

Currently, the MLS provides to the business community over seventy-eight different licenses and regulations administered by eleven state agencies. To improve its system, the state of Washington created the Unified Business Identifier (UBI) program to standardize the way in which state agencies identify businesses in various automated systems. The MLS collects business license applications, along with the appropriate fees, and distributes the appropriate information from the application and the fees to the appropriate agencies. Conversely, the MLS collects from the several agencies the authorization to grant the requested licenses and generates a single document for the applicant business that lists all licenses and registrations. The MLS also handles renewals for the several licenses.

Although the MLS appears to be a "one-stop" shop for all business licenses, to call it so is something of a misnomer, according to Ken Mark, who helped develop the system and who managed it for several years. "One-stop" implies that a citizen or "customer" of the government can seek out and receive all related government service at a single location. Mark suggests that the MLS and other "one-stop" systems should be called instead a "minimal-stop" system. The MLS dramatically reduces the number of state government employees and forms a business person must come in contact with to open a business. Because some agencies continue to collect and manage their own licenses (for example, the gambling authority), the Washington system is a minimal-stop shop⁵ However, for ninety per cent of the businesses in

⁵Mark interview.

Washington State, the MLS is a one-stop system.⁶

In general, Washington's MLS simplified its licensing process by creating a single clearinghouse that coordinates licensing and registration. A single Master Business Application, along with a single license fee schedule, is used by state government to collect most of the information and fees the several state agencies need to register and license a new business. For the business community, the MLS provides a single window at which a business can apply for its licenses. For the most common registrations and licenses, a business in Washington fills out a single form and writes a single check.

Program History

Any document that discusses the history of the Washington State MLS program begins with the story of Eddie Kuhr. Kuhr owned a grocery store near Olympia, Washington. One evening in the mid-1970s, Ralph Munro, who is the Washington Secretary of State and was then an aide to Governor Dan Evans, stopped by the store. Kuhr invited Munro into his office to show Munro the stack of state license application and renewal forms he had on his desk and the collage of licenses and registrations covering the better part of one wall. Kuhr wondered why he had to

⁶Nell Benzschawel, Licensing Administrator, Master License Service, Department of Licensing, State of Washington, interview by author, July 26, 1994, Olympia, Washington.

go through so many forms and receive so many licenses from one state government.⁷

Munro apparently took Kuhr's questions to heart and in 1976 the Washington legislature passed the Business Coordination Act, which was the pilot program that ultimately developed into the MLS. In the act, the legislature found that

the heavy burdens placed upon persons proposing to undertake certain types of businesses in this state through requirements to obtain numerous permits and related documents from various state agencies are undesirable and should be alleviated.⁸

The act created a pilot program within the Department of Trade and Economic Development that specifically addressed the needs of the grocery business. It provided that business people seeking new grocery permits or renewals after June 30, 1976, use a master application supplied through the department. The department was directed to consolidate all grocery-related permits from the several departments (except the Department of Ecology) and to distribute the completed application back to the several departments. The department was directed to act as a single point of contact for the grocers, but not to act as a super-regulator. No particular source of funding was created for the pilot program; in fact, the department was to collect the existing permit fees and distribute them to the appropriate agencies.⁹ (A photocopy of the Business Coordination Act is attached as appendix A.)

⁷Business License Service, State of Washington, "A Brief Introduction Master License Service," (Olympia, WA: Business License Service, undated), 1.

⁸RCW 43.31.870.

⁹Sterling Associates, State of Washington, Department of Licensing Master License Service Funding Study Project (Seattle, WA: Sterling Associates, December 10, 1991), II - 2.

In December 1976, six months after the pilot program was created, the Department of Community and Economic Development employed the Boeing Computer Company to review the program so that the department could report on its success or failure to the legislature in 1977.

Boeing found that the pilot program was a success and demonstrated that a master licensing program was feasible. Their report suggested that the department design an expanded program to continue to eliminate unnecessary or redundant licensing requirements; to expand the concept to include other kinds of businesses; to develop a master application; to further develop the license issuing system, including technical support; and to step up the promotion of the program.¹⁰

The following year the Washington legislature expanded the program through the Business Licensing and Registration Act. The legislature reaffirmed that "the number of state licenses required . . . places an undue burden on business."¹¹ The legislature outlined several goals for the new program and center: to provide a convenient, accessible, and timely system to acquire and maintain state licenses and registrations; to provide an informational service to business; to establish a system which will enable state agencies to efficiently store, retrieve, and exchange license and registration information; to provide a consolidated application form available at several locations; and to reduce the total number of licenses required to do business in the state.

¹⁰Ibid, II - 3 through II - 4.

¹¹RCW 19.02.010.

The legislature provided \$350,000 in general fund money for the program to operate in the 1977-79 biennium. As with the pilot program, license fees were to be collected by the department and distributed to the appropriate agencies. The program continued to grow in its first years of existence and in 1979 it was given the responsibility of trade name registration, which had previously been the duty of the counties.

In 1982 the legislature expanded further the role of the program in the Business License Center Act. The 1982 act's intent was similar to that of the 1977 act, except that the 1982 act expressly called for a "one-stop" system and directed the center to gather and distribute information about local and federal regulatory requirements. The 1982 act also specifically called for a master license system that would reduce the paperwork burden on business.¹² General fund monies continued to be the primary source of funding for the MLS, but the 1982 act allowed the center to charge a fee on delinquent accounts, which was to be returned to the general fund.

A significant step in the life of the MLS came in 1987 with creation of the Unified Business Identifier (UBI) program. The UBI program enhanced the operation of a one-stop shop for business regulation by creating a common business and vendor identification number. The Department of Revenue maintains the system that records the nine-digit UBI number. Five agencies -- Employment Security, Labor and Industries, Revenue, Secretary of State, Licensing -- worked together to develop the

¹²Sterling, II - 7.

system and work jointly to maintain and upgrade it.¹³ The program serves over 358,000 businesses that are currently registered. An estimated 70,000 new businesses register each year.¹⁴

A major shift in MLS funding occurred in 1990 when the MLS began charging a \$12.00 handling fee for the Master Business Application to cover a general fund revenue shortfall.¹⁵ Funding continued to be a difficult issue as general fund expenditures for the MLS were reduced. In 1991 the legislature attempted to shift most of the MLS funding to the nine state agencies that the MLS benefits most. Arguing that the agencies did not have new funding to cover the additional cost, the governor vetoed that part of the appropriation measure. The resulting drop in general fund appropriation threatened to kill the MLS by FY 1993.

The Business License Service commissioned Sterling Associates, a consulting firm in Seattle, to evaluate funding responsibility of and options for the MLS. The firm's report of December 1991 drew two conclusions: direct and indirect beneficiaries of the MLS should bear the funding of the program, and the prices for the MLS services and products should be commensurate with the cost of the service and the products.¹⁶ Sterling Associates argued that because state agencies benefit

¹³A standing task force works among these agencies to oversee the policy and the operation of the UBI program.

¹⁴State of Washington, Washington State UBI (Unified Business Identifier) Policy and Procedure Manual, (Olympia, WA: April 1992), 4-1 through 4-3.

¹⁵Sterling, II - 10.

¹⁶Ibid, 2.

from the program, they should fund part of the program's operation. The agencies complained that the additional cost for them would be burdensome. Ultimately, Washington's executive branch and legislature endorsed the principles advanced by the Sterling report, except the co-payment by state agencies, and, in July 1992, the MLS funding became exclusively fee-based.¹⁷

MLS Organization and Services¹⁸

The Master License Service program is under the immediate jurisdiction of the Business and Professions Division of the state of Washington's Department of Licensing (DOL), whose director is appointed by the governor. In addition to business licensing, the DOL is responsible for vehicular- and driver-licensing. The Business and Professions Division carries out a variety of licensing functions, including the MLS, Uniform Commercial Code, funeral and cemetery licensing, real estate licensing, and occupational licensing.

The MLS program is divided into four areas: Customer Relations, Document Management, Registrations, and Quality Control. (See appendix B for DOL and MLS organizational charts.) To carry out its mission of serving the business community and simplifying the state's licensing functions, the MLS performs several functions and services and creates specific products. Each function and a brief

¹⁷Benzschawel interview.

¹⁸Information contained in this section was gathered from Mark and Benzschawel interviews, as well as from Sterling, Master License Service Funding Study Project.

description are listed below.

Master License Origination

The MLS' most important function is to issue the Master License, a document that certifies state agency approval of the business activity and lists the individual licenses granted to the business. The Master License is intended to be publicly displayed at the business location of license holder. The Master License includes trade name registration and the Unified Business Identifier (UBI) number. (See appendix C for an example of a Master License.)

Maintaining and managing records is an important MLS program function. As a clearinghouse, the MLS forwards Master License information to the several state agencies daily. State agencies can request information on corporate status by phoning the MLS or by accessing its records on-line.

On the average, the MLS receives daily 450 Master Business Applications, 575 renewals, and 775 miscellaneous documents for processing and recordkeeping. The Registrations and Document Management staff receive, process, and store the documents. To maintain the integrity of these documents and to manage the large number of documents processed, the MLS Document Management staff microfilm and store all applications and other documents pertinent to applicant and license accounts. MLS staff provide certified copies of original documents on request.

MLS also coordinates the financial component of licensing through the MLS Quality Control staff. The Quality Control staff collect all license fees from

applicants (usually by way of a single check from the business) and distribute the funds to the appropriate licensing agency via an electronic accounting system. Staff members also issue refunds for overpayment, send requests for complete payment when the original payment is incomplete, and attempt to collect on dishonored checks. MLS can freeze the accounts of delinquent taxpayers at the request of the IRS and state taxing authorities and redirect the renewal fees to offset delinquent taxes, unemployment insurance premiums, or industrial accident insurance premiums.

Although the workload of the MLS is heavy, it is well coordinated. Over twelve MLS staff members process new applications and, in the month of June 1994, which was reported as average, the MLS processed 12,291 new Master Business Applications.¹⁹

Master License and Corporate Renewal

MLS coordinates the renewal of the Master License and the annual renewal of corporate registration. MLS stores renewal information and updates the license account with changes of address and status, for example. MLS collects and distributes renewal fees similar to the process for original license fees described above. MLS maintains a staff of about five persons to coordinate and carry out recordkeeping and renewals, which, in June 1994, were reported to number

¹⁹Master License Service, Department of Licensing, State of Washington, Statistical Measurements (Workload & Quality) for Business & Professions Division for the Month of June 1994. (Olympia, WA: Master License Service, July 1994), 1.

12,125.²⁰

Miscellaneous Licensure

In most cases, Washington State licenses are granted through an agency other than the MLS, including other divisions within the Department of Licensing. In three cases, however, the MLS is responsible for the issuing of licenses. The licenses are for whitewater craft operation, telemarketing, and taxicab and cabulance²¹ (for-hire) operation. MLS has twenty-two active whitewater accounts and approximately 150 active telemarketer accounts. Also, in June 1994 the MLS processed and issued 122 for-hire licenses.²²

Counter and Phone Inquiries

Within its function as a clearinghouse, the MLS provides information to the public and the state government about business licensing. The MLS maintains a staff specifically charged with answering a bank of about six telephones. The staff, organized within the Customer Relations section and called "customer service representatives," receive calls from people with questions about government registration and licensing. On request, they also mail out Master Business Applications or other licensing material. The staff use an on-line license information

²⁰Ibid.

²¹A cabulance is a vehicle used to transport patients in non-emergency situations.

²²Ibid.

system and license inventories developed by the MLS to address the questions. The staff also provide the service of on-line database searches for the public and other state agencies. The on-line search can determine whether a particular trade name is in use, verify a trade name, or confirm that a particular business is licensed to do business in the state.

In the month of June 1994, the Customer Relations staff received 15,969 calls. Most of the calls (11,753) concerned specific questions about business licensing. Over 4,000 calls were requests for database searches for registered business names or corporate status. These search calls are handled through a "900" line, which registers back to the caller or "customer" an average charge of \$4.98 for the first minute of the call and \$.50 for any subsequent minute. This charge amounts to about \$4.00 for the MLS and \$1.98 for the phone service.²³

Customized License Information Packets

To give a potential business person complete information and application materials on licensing requirements for a particular business, the MLS provides essentially a counseling or advising service. The customized service requires the MLS Customer Relations phone staff to discuss with a prospective business person her or his business plans. Using the information gathered from the customer, the staff person searches the MLS databases and license inventories and creates a report,

²³Benzschawel interview and State of Washington, Business and Licensing Division, Master License Services, License Information. Month End Reporting Statistics June 1994 (Olympia, WA: Master License Service, July 1994).

called a Licensing Guide Sheet, which lists licenses that the person must apply for before opening her business. The customized packet finally sent to the businessperson contains the customized Licensing Guide Sheet, the Master Business Application, a Registration and License Description Sheet (an informational sheet describing license fee schedule), a directory of local state offices where a Unified Business Identifier number can be received, a booklet entitled "Operating a Business in Washington," and other forms as necessary, such as an application for a federal tax number and forms to register a corporation with the Secretary of State. Finally, the MLS requests feedback from its clients through a brief survey, which addresses the quality and the cost of service. (See appendix D for a customized packet generated for this study.)

Form Creation and Distribution

MLS designs, produces, and distributes license application and renewal forms. To adhere to the operating principle of simplifying the license process, MLS forms are standardized and distributed to state agency offices in Olympia and elsewhere. In addition to the customized informational report discussed above, the most significant document developed and distributed through the MLS is the Master Business Application (MBA). This three-page document is the heart of the MLS system and best illustrates the value of a coordinated license system, i. e., the reduction of paperwork for business and government.

The MBA also addresses a practical concern in developing a MLS. Because agencies want power and control over licensing, they may be unwilling to relinquish

their authority to a centralized licensing system. With the exception of the whitewater, telemarketing, and cab licenses, the MLS acts only as a conduit for licensing and not as the licensing authority. The MBA clearly states that agency approval is required for some licenses. It also states that additional forms may be required to gather particular information the agency needs but is not gathered through the MBA. Table 2 on the following page lists the registrations and licenses a business can receive through the MLS with the Master Business Application.

Report Generation

Through on-line and telephone access, state agencies contact the MLS and request ad hoc reports to assist in the agency's licensing and regulatory functions. The process was outlined above in the Customer Relations discussion.

Generation of "Operating a Business in Washington"

As an information clearinghouse, the MLS periodically produces a booklet describing licensing and other requirements for starting a business in Washington. Currently, the booklet is available for \$4.00. "Operating a Business" includes information pertaining to business structure, federal, state and local taxation, and other government regulation of the business community. (See appendix D for a copy of the January 1993 edition of "Operating a Business.")

TABLE 2

**REGISTRATIONS AND LICENSES AVAILABLE THROUGH THE MASTER
LICENSE SERVICE BY WAY OF THE MASTER BUSINESS APPLICATION**

Registrations or Licenses	Agency	Frequency
Tax Registration	Revenue	One Time
Industrial Insurance	Labor & Industries	One Time
Unemployment Insurance	Employment Security	One Time
Trade Name	Licensing	One Time
Bulk Fertilizer	Agriculture	Annual
Egg Dealer	Agriculture	Annual
Nursery Dealer ^a	Agriculture	Annual
Pesticide Dealer ^a	Agriculture ^b	Annual
Refrigerated Locker ^a	Agriculture ^b	Annual
Seed Dealer	Agriculture	Annual
Waste Tire Carrier	Ecology ^b	Annual
Waste Tire Storage	Ecology ^b	Annual
Used Battery Collection	Ecology	Annual
Minor Work Permit	Labor & Industries	Annual
Telephone Solicitor ^a	Licensing ^b	Annual
For Hire ^a (Cabs)	Licensing ^b	Annual
Whitewater Craft ^a	Licensing ^b	Annual
Liquor ^a	Liquor Control Board ^b	Annual
Lottery Retail ^a	Lottery Authority ^b	Annual
Shopkeeper	Pharmacy	Annual
Cigarette Retail	Revenue	Annual
Cigarette Vendor	Revenue	Annual
Cigarette Wholesale	Revenue	Annual

Source: Master License Service, Department of Licensing, State of Washington, Registration and License Description Sheet (Olympia, WA: Master License Service, October 1993), 1 - 3.

^a An additional form, usually an addenda to the MBA, is required.

^b Agency approval of the license is required.

Benefits of MLS

The Master License Service benefits the state government, the Washington business community, and the Washington citizenry. The service has centralized and simplified the licensing procedure, and, in the process, has cut "red tape" and has increased regulatory compliance.

Benefits to State Government

The MLS assists state government in three ways. It eases the administrative burden of licensure, it enhances the regulatory function of government, and it improves the public image of government.

A central feature of the MLS is a shared database. The creation of the UBI numbering system has enabled the agencies of Washington government to identify a single business with a single number. All businesses have a UBI number that appears in the shared database, as well as in the unique databases of the agencies. The shared database allows agencies to compare and to reconcile their individual agency databases. Government information about a particular business remains more current because the shared database is updated as an agency conducts business with the licensee. The Department of Revenue finds that a shared database helps agencies treat taxpayer groups in a more fair and equitable manner.²⁴

Staff time is reduced in processing licenses in state government. Under the MLS, state agencies, like the business community, deal with a single state licensing

²⁴Mark and Benzschawel interviews and Sterling, A - 1.

agency. For example, the time spent by a Department of Revenue staff member addressing the general licensing questions of a business is greatly reduced. The MLS provided some agencies the opportunity to reduce staff. Particularly, the staff of the agencies dedicated to distributing, receiving, processing, and renewing licenses and registrations became redundant with the MLS. Sterling Associates found that agencies using the MLS realized a savings of 6.4 Full Time Equivalent (FTE) employees.²⁵

MLS and the combined database improve business compliance with state law by providing clearer information to the business community and by allowing state agencies to cross-reference business activity. The Department of Labor and Industries, which manages Washington's workers' compensation program, noted a twenty percent increase in registrations due to the MLS/UBI program. The Department of Employment Security found an approximate one percent increase in account registration because of the UBI program.²⁶

Finally, although very difficult to quantify, the government officials interviewed for this study believe the MLS improves the image of the government of Washington State. As an outreach program that attempts to serve the needs of the business community, the MLS is "customer-oriented" and provides simplified and faster service. Sterling Associates noted in their 1991 study that business people appreciate the service.²⁷

²⁵Sterling, A - 2.

²⁶Ibid.

²⁷Mark and Benzschawel interviews and Sterling, A - 1.

Benefits to the Business Community

The MLS is designed to provide the greatest benefit to the business community. Phrases like "ease and convenience" and "elimination of red tape" appear frequently in the feedback surveys the MLS receives.²⁸ Prior to the MLS and the Master Application, a typical business in the state of Washington would have to complete thirty-five pages of business license applications. The MLS reduced that process to three pages. The MLS helps the business community by reducing costs, by increasing compliance, and by reducing frustration.

The MLS provides cost savings to businesses by reducing the time it needs to meet government requirements. Sterling Associates' 1991 report considered the classic grocery store scenario as part of the MLS benefit-cost analysis. Sterling estimated that the 1,000 grocery store license originations and 18,126 grocery store renewals under the old decentralized licensing system cost the grocery business almost \$400,000 a year in Washington, an amount saved by the MLS.²⁹ Under the MLS, there are fewer applications to complete and far fewer state agencies to contact. These measures dramatically reduce business staff time. Sterling Associates also noted that before the MLS, some larger companies hired outside consultants to help the business through the licensing process. Sterling Associates stated that the MLS eliminated this need.³⁰

²⁸Benzschawel interview.

²⁹Sterling, Appendix A, Exhibit A-2.

³⁰Sterling, A - 3.

The leaders of the Department of Licensing interviewed for this study also argued that an MLS benefit to business is increased compliance. Because the MLS provides one source of information for all business licensing, businesses are less likely to be confused about or unaware of licensing requirements. The renewal program within the MLS also makes it clearer and simpler for businesses to renew their licenses. Receiving a single statement for all licenses once a year eliminates the need to renew licenses at various times during the year.³¹

Benefits to the Citizens of Washington

Mark and Benzschawel agree with Sterling Associates study conclusion that the MLS benefits the citizenry of Washington. Increased compliance ensure safety and the other reasons for regulation. Also, the state of Washington found that the increased registrations provided by the MLS and UBI programs increased the contributions to the state's unemployment and workers' compensation funds. Also the MLS promotes economic development by assisting businesses in getting established quickly and correctly, thereby reducing barriers to business startup.³²

Program Funding

The MLS began as a government assistance program for the business community and was originally funded through the state's general fund. Because of

³¹Mark and Benzschawel interview.

³²Mark and Benzschawel interviews and Sterling, A - 4.

reduced general fund contributions to the program, the MLS underwent a significant funding analysis in 1991, which concluded that the direct and the indirect beneficiaries should pay for the benefit received. The analysis also concluded that the prices of the services should be aligned to the cost of the service.³³ As a result of the analysis, the MLS is now supported entirely by fees.

The current funding mechanism consists of essentially five sources: the Master Application fee; license renewal fees; Master License delinquency fees; trade name registration and related matters; and the "900" number trade name search fees. Of these five primary sources, the trade name revenue and the Master Application fees account for about 96 percent of the \$3,273,000 FY 1994 MLS revenues. Some of the revenues generated by the MLS in this scheme pass through to other agencies. Table 3 on the following page lists the current MLS fee structure and revenue.

Conclusion

The greatest benefits provided by the MLS are its provisions for a single application and fee payment and its single license-renewal date. These functions are a key part of a one-stop licensing center that enables government to perform its functions with little burden to affected parties.

Washington State's MLS is a demonstrated success for several reasons. There was a clear need for change. The Kuhr grocery story demonstrated that government licensing generates a great deal of paperwork and consumes a great deal of business

³³Sterling, 2.

TABLE 3
 MLS FEE STRUCTURE AND FY 1994 REVENUES
 (Money Amounts in Dollars)

Revenue Source	Fee Name	Amount	FY 1994 Revenue	Percent of FY94 Revenue
Master License Services			458,753	14
	Trade Name Registration Fee	5.00		
	Trade Name Certification Letter	2.00		
	Trade/Business Name Search Fee ("900" calls)	4.00		
MLS Delinquency			79,538	2
	MLS Delinquency Replacement Fund	50% of original fee		
Master License Issuance			2,731,592	83
	Master Application Fee	15.00		
	Renewal Application Fee	9.00*		
MLS Over/Short			3,590	<1
Recovery Fund			553	<1
Recovery Prior Biennium			4,102	<1
Trade Name Suspense			825	<1
TOTAL			3,278,953	

Source: Benzschawel interview; State of Washington, Daily Fund Account Disbursement Report, DOL, MLS, July 26, 1994 (Olympia, WA: Master License Service, July 26, 1994); State of Washington, Biennial Budget Estimates, Agency Revenues (Draft) (Olympia, WA: July 30, 1994); and State of Washington, ERL Revenue Forecast of 1995-1987 Fee Template Activity (Olympia, WA: undated).

* Corporations pay an additional \$50.00 fee.

and government time.

During its almost twenty-year history, the MLS also has enjoyed strong gubernatorial support, which has been helpful in two major ways. It helped move the executive branch bureaucracy in the direction of meaningful change. The MLS' first director, Ken Mark, shakes his head when he thinks of the battles endured over the program, battles waged primarily over agency "turf."³⁴ However, the state's chief executives' support of the program caused the affected agencies to fall in line. The Washington governors over the past two decades made this issue a public-relations and election topic, and effectively used the language of change to support the program.³⁵ They portrayed the MLS as a program that cut "red-tape" and helped to create jobs, an almost no-lose political position.

Similarly, the program enjoyed the support of legislative leaders at key times. Not an inherently partisan issue, it could not be used as a bargaining chip in the halls of the capitol.

The business community, the program's prime beneficiary, embraced the program early. Business leaders and business service organizations helped the program start and then grow through the legislative process and through negotiations with the agencies.

Although the program often lacked general fund appropriation, it generally enjoyed the resources it needed to carry out its mission. The recent move to fee-

³⁴Mark interview.

³⁵Ibid.

based funding is one way to ensure that the ebb and flow of the general fund will not damage the program irreparably. Although fee-based funding is too new to enable anyone to draw conclusions about the program's long-term success, the MLS should succeed if it can continue to convince those who pay the fees that the program is worth the money spent.³⁶

The program's success also rests on the incremental way in which it was developed. By beginning the program as a limited pilot project and slowly developing it into a larger license system, the managers were able to adjust to the needs and the attitudes of the communities that they wanted to serve. The affected state agencies had time to adjust. By not starting with a large program, the designers of the MLS probably saved it from eventual failure.

³⁶In many cases, fee-based funding is popular among agencies and the interests serviced by the agencies because the revenue source is relatively calm compared to the general fund. The problem is that some programs do not have a clientele that can afford to pay fees. So even though a fee-based structure might work for businesses or hunters, it will not work for abused children or hungry families who also need government service.

CHAPTER 3

MONTANA'S BUSINESS LICENSING SYSTEM

Introduction

Montana uses a decentralized business licensing system to issue at least 270 different licenses, registrations, and permits. Fourteen state agencies and over twenty governing boards use nearly twenty-five divisions or bureaus to carry out the licensing and registration functions under an agency or board's jurisdiction. (Table 4 provides a summary of the number of licenses and registrations granted by each agency.)

In the early 1980s, the Montana Legislature established a formal system of licensing coordination under the Small Business Licensing Coordination Act,³⁷ which created a small business licensing coordination center within the state's Department of Commerce. The center provides information to prospective and current business owners about state licensing.

Program History

In 1981 the 47th Montana Legislature passed the Montana Small Business Licensing Coordination Act. (See appendix A for a photocopy of the act.) The act's legislative sponsor, Representative John Vincent (D-Bozeman), explained that the

³⁷MCA 30-16-101 et seq.

TABLE 4
MONTANA STATE AGENCY LICENSING SUMMARY

Agency	Number of Licenses & Registrations	Range of Permits: From	To
Agriculture	12	Pesticide Applicator	Bees & Honey
Commerce	88	Consumer Loan	Scales
Corrections & Human Services	3	Chemical Dependency	
Family Services	12	Adult Foster Care	Youth Home
Fish, Wildlife, & Parks	10	Bird Farm	Zoo
Health & Environ. Sciences	26	Open Burning	Food Purveyor
Justice	22	Card Dealer	Used Car Dealer
Labor & Industry	5	Boiler Engineer	Hoisting Engineer
Livestock	24	Animal Importation	Egg Graders
Nat. Resources & Conservation	15	Gas Drilling	Lakeshore Work
Public Service Commission	1	Public Convenience & Necessity	
Revenue	25	Cigarette Dealer	Beer Brewer
Secretary of State	12	Reservation of Name	Incorporation
State Lands	7	Land Use	Sawmills
Transportation	11	Alcohol	Gasoline

Source: Rebecca R. Baumann, Business Licensing Specialist. Montana Business Licensing Handbook (Helena, MT: Montana Department of Commerce, Business Development Division, Small Business Development Center, January 1992).

bill's purpose was to "eliminate unnecessary procedures [associated with business licensing] and to reduce costs to both government and business" by creating a one-stop shop for business licensing in Montana.³⁸ By adopting this act (House Bill 587), the Montana legislature directed the state's executives to eliminate licensing requirements, administrative procedures, and forms that were unnecessary for the protection of the public interest; to streamline and minimize the total government and business costs of necessary licensing and inspection procedures; and to distribute equitably the costs of licensing.³⁹

To meet these goals, the legislature established a Small Business Licensing Coordination Center, described in detail below. The legislature specifically charged the center to examine the state's licensing system and to recommend ways to improve the system, including "gathering of information that facilitates the development of a permanent master license certificate."⁴⁰ Vincent designed the act and the center to be a "small business ombudsman" to speed up the licensing process by granting a single master license.⁴¹

Several groups supported Vincent's House Bill 587. Several state agencies,

³⁸Committee on Business and Economic Development, Montana House of Representatives, 47th Montana Legislature. Minutes. Business and Economic Development Committee (Helena, MT: Montana Legislative Council, February 13, 1981), 2.

³⁹MCA 30-16-102.

⁴⁰MCA 30-16-201 (3).

⁴¹Committee on Business and Economic Development, Montana House of Representatives, 47th Montana Legislature, Minutes (Helena, MT: Montana Legislative Council, February 13, 1981), 2.

including the State Auditor's office, the Secretary of State's office, and the Department of Business Regulation (the predecessor of the current Department of Commerce), endorsed the principles of the act. They were also careful to protect the licensing functions within their respective jurisdictions.⁴² The Montana Chamber of Commerce, a private organization created to advance the interests of the business community, supported the measure through the legislative process.⁴³ Ultimately, House Bill 587 received unanimous legislative support in both houses on final votes taken on the bill.⁴⁴

In 1989, during the 51st Legislature, Representative Vincent attempted unsuccessfully to enhance the Small Business Licensing Coordination Act. He introduced House Bill 600, which would have placed into Montana law the licensing model developed and used by the state of Washington described in chapter 2. Vincent argued that the Washington system "has been recognized nationally as the most advanced, sophisticated, cost-effective business licensing system in the United States today."⁴⁵

⁴²Ibid., 3.

⁴³Committee on Business and Industry, Montana Senate, 47th Montana Legislature, Minutes. Business and Industry Committee (Helena, MT: Montana Legislative Council, March 20, 1981), 4.

⁴⁴Montana Legislative Council, Combined Final Status of the Bills of the Senate and House of Representatives of the State of Montana. Forty-Seventh Legislature Regular Session January 5, 1981 to April 23, 1981 (Helena, MT: Montana Legislative Council, 1981), HB 587.

⁴⁵Committee on Business and Economic Development, Montana House of Representatives, 51st Montana Legislature, Minutes. Business and Economic Development Committee (Helena, MT: Montana Legislative Council, February 14,

The bill was first heard by the House of Representative's Committee on Business and Economic Development. The bill was endorsed by a representative of the Bozeman Chamber of Commerce and passed the house on a 90 to 8 vote.⁴⁶

House Bill 600's story in the Montana Senate was quite different. Vincent explained that he proposed to strengthen the 1981 measure because small business owners continued to complain about licensing problems, confusion, and red tape. He believed that this measure was the best way to solve these problems.⁴⁷ Several opponents spoke against the bill, including representatives of the Montana Departments of Agriculture and Commerce. Mike Letson, director of the Department of Commerce, agreed that the Washington system had "merit;" however, he argued that House Bill 600 "actually created more government, a need for more staff and personnel, a need for new computer equipment, and created duplication." The bill did not reduce government, he stated, it "expanded and slowed government."⁴⁸

The opposition of the Department of Commerce probably condemned the bill. At the time, the Montana Senate was controlled by the Republican Party, the party in control of the executive branch and the Department of Commerce. Because Vincent

1989), 5.

⁴⁶Montana Legislative Council, History and Final Status of Bills and Resolutions of the Senate and House of Representatives of the State of Montana. Fifty-First Legislature. Regular Session. January 2, 1989 to April 21, 1989 (Helena, MT: Montana Legislative Council, 1989), 438.

⁴⁷Committee on Business and Industry, Montana Senate, 51st Montana Legislature, Minutes. Business and Industry Committee (Helena, MT: Montana Legislative Council, April 7, 1989), 17.

⁴⁸Ibid., 18-19.

was a Democrat, HB 600 had a slim chance of survival after Letson opposed it, and the committee effectively killed the measure.

The most recent attempt to modify the 1981 law came in the 52nd Legislature in 1991. Representative Pat Galvin (D-Great Falls) introduced House Bill 46, which expanded the purpose and scope of the 1981 act. In particular, it stated that Montana business licensing placed an "undue burden" on business. HB 46 asserted that

The legislature believes that the state can reduce its costs by coordinating application forms, information, and licenses while retaining the authority for determining whether to issue a requested license in the agency authorized to issue the license or permit.⁴⁹

Galvin's bill relied heavily on the Washington model and contained the following provisions:

1. A master license and master license application;
2. A Board of Review to provide policy direction to the Department of Commerce in the establishment and operation of a master license system;
3. Support of a Department of Commerce plan to establish an information system and a uniform business identification system;
4. A phased approach to complete the analysis needed and a trial period for the new system;
5. Full implementation of the planned business registration and licensing system by January 1, 1992;
6. A computerized state system for issuing and renewing the master license by

⁴⁹House of Representatives, 52nd Legislature, Regular Session, A Bill for an Act Entitled: "An Act Revising the Montana Small Business Licensing Coordination Act; Establishing a Business Registration and Licensing System; Establishing a Board of Review; Amending Sections 30-16-102, 30-16-103, 30-16-202, and 30-16-203, MCA; Repealing Section 30-16-201, MCA; and Providing Effective Dates (HB 46) (Helena: Montana Legislative Council, introduced December 29, 1990), 2.

January 1, 1993.

Like previous efforts, Galvin's HB 46 expressly stated that licensing authority remained with the several agencies. HB 46 experienced similar opposition as the 1989 bill did. The Montana agricultural industry and the Department of Commerce again expressed concern about the amount of government such a measure would create. The Department of Commerce argued that the business community under the 1981 system received the information it needs to properly license its activity. Bob Heffner of the Department of Commerce stated that such a system should not be rushed into implementation. "It sounds like a good idea," Heffner stated, "but if you think about what falls under the scope of this bill, [licenses] as diverse as taxidermy . . . [and] employment registration, . . . [you] begin to imagine [an application] form that encompassed all of those. You might be burdening business more than they [sic] already are."⁵⁰

The strong opposition resulted in significant amendment of the original bill. After amendment in the house, the bill passed both houses and added to the 1981 law the statement that the purpose of the 1981 act was to "provide a convenient, accessible, and timely system for the business community to acquire and maintain the necessary state registrations and licenses to conduct business."⁵¹ HB 46 also

⁵⁰Committee on Business and Economic Development, Montana House of Representatives, 52nd Montana Legislature, Minutes. Business and Economic Development Committee (Helena, MT: Montana Legislative Council, March 11, 1991), 4.

⁵¹MCA 30-16-101 (4).

specifically designated the Department of Commerce as the home of the small business coordination center. Finally, the bill called for the department to report to the 53rd Legislature in 1993 on its analysis and recommendations to meet the purposes of the act, i. e., to improve Montana's business licensing system.

These measures effectively gutted HB 46. During the house committee's final deliberations on the bill, one representative noted that the significant amendments made the bill "more philosophical."⁵² The bill's sponsor stated the amendment's effects more clearly: "The house shrunk this bill to a study."⁵³

The net effect of this legislative activity was essentially no effect. The 1981 act remained intact, without meaningful change. It was neither strengthened nor weakened.

As part of HB 46 provisions, the Department of Commerce was directed to examine the state's licensing requirements and report to the 53rd Legislature in January 1993. The department's report discussed in general terms the licensing functions of the state and suggested mostly minor changes for each agency. In addressing the entire licensing system, the report made three recommendations. First, the department recommended that the current system of centralized license information with decentralized licensing responsibility be maintained. The author of

⁵²Committee on Business and Economic Development, Montana House of Representatives, 52nd Montana Legislature, Minutes (Helena, MT: Montana Legislative Council, March 11, 1991), 7.

⁵³Committee on Business and Industry, Montana Senate, 52nd Montana Legislature, Minutes. Business and Industry Committee (Helena, MT: Montana Legislative Council, April 8, 1991), 1.

the report opposed a one-stop system because it would require extensive coordination with other state agencies and would, therefore, increase the amount of time needed before a license could be granted. Second, the department suggested that each agency approach the legislature with needed changes and suggestions for improvements. Finally, the department suggested that the legislature grant agencies the authority to adopt fees that would "accomplish statutory mandates and provide effective and efficient licensing and inspection services for the business community."⁵⁴

In September 1993, Governor Marc Racicot called for a "Department of Labor and Industry and Department of Revenue Partnership Task Force."⁵⁵ The task force is an interagency working group charged with exploring ways to improve service to the business community by simplifying wage-based employer reporting and related functions. The working group consists of representatives from the Department of Revenue, Department of Labor and Industry, and the State Fund and is working to find ways to coordinate among the agencies tasks such as registration, enforcement, and employee reporting. The working group will examine current similarities and differences between these agencies as a means of finding ways to eliminate duplication in state reporting. The goal of the working group is to create a single service center for wage-based state requirements. The work force plans to finish its

⁵⁴Department of Commerce, State of Montana, Report on Montana Business Licensing Practices. Presented to the 53rd Montana Legislature (Helena, MT: Department of Commerce, January 1993), 16.

⁵⁵Also in the fall of 1993, Governor Racicot appointed a citizen task force to "renew Montana government" and charged the group to examine all facets of state and local government. This task force is not the working group discussed here.

deliberations by November 1994.⁵⁶

The Montana Business Licensing Center

Created within the 1981 act, the state's centralized licensing information function is carried out through the Montana Business Licensing Center in the Economic Development Division of the Department of Commerce. The center employs one employee, a "business licensing specialist," who acts primarily as a business counselor. The licensing specialist receives calls and advises on all aspects of business activity, including the preparation of a business plan and local, state, and federal licensing requirements.

The center prepares customized "Start a Business Checklists," which include information from the Secretary of State, the United States Internal Revenue Service, the state Department of Revenue, and applications for unemployment insurance and workers' compensation insurance.

The center also produces a booklet called Montana Business Licensing Handbook, which is a well organized and presented collection of state agency licensing requirements. The current handbook is organized by business type and by agency, so a prospective business owner can make a self-designed checklist of state requirements. The center did not have funding sufficient to print a handbook after the 1993 legislative session, so the 1992 edition is the most recent edition available. The

⁵⁶Department of Labor and Industry and Department of Revenue Partnership Task Force, State of Montana, Information Memo (Helena, MT: Department of Labor and Industry, 1994), 1.

licensing specialist has noted licensing changes on a desk reference and explains the changes to callers.⁵⁷

The center attempts to promote itself as widely as possible; however, one person cannot reach a wide audience. The center distributes information to the several state agencies, Montana libraries, universities, business development centers, and chambers of commerce. The center maintains an "800" number and reports that it receives roughly 5,000 inquiries a year.⁵⁸

In the 1995 biennium, the center is supported by state general fund and federal small business development center (SBDC) funds. The funding mix in FY 1994 was \$8,310.24 general fund and \$34,185.16 SBDC. In FY 1994, the center's expenditures were \$26,765.81 for salary and related personnel expenses for the licensing specialist and \$15,729.59 for operating expenses.⁵⁹

The Montana Secretary of State

In addition to the licensing functions discussed above, Montana law requires that foreign and domestic partnerships and corporations file registration documents

⁵⁷Rebecca R. Baumann, Business Licensing Specialist, interview by author, July 16, 1994, Helena, MT.

⁵⁸Department of Commerce, Report on Montana Business Licensing Practices, 3.

⁵⁹Terri Perrigo, Senior Fiscal Analyst, Office of the Legislative Fiscal Analyst, Letter in Response to a Request for Information (Helena, MT: August 11, 1994) and William Hoffmann, Budget Officer, Montana Department of Commerce, Memorandum to Terri Perrigo, Office of Legislative Fiscal Analyst Regarding Business Licensing/Information Specialist Expenditures and Funding (Helena, MT: August 7, 1994).

before transacting any business or conducting any affairs in the state. The registration process is administered by the Montana Secretary of State.

Carried out in his Business Service Bureau, the secretary maintains twelve different forms to carry out various functions. Among other things, the secretary can reserve an assumed business name; register an assumed business name; record certificates of limited partnership and articles of incorporation; formally record changes in name or corporate structure; and recognize foreign corporations so that they may conduct business in Montana.

The secretary prints a guide to the secretary's registration process called Montana . . . We Mean Business: Business Filing Guidelines and Forms, which contains forms for each of his registration functions, a schedule of fees, descriptions of the commonly used organizational structures recognized in Montana, and a directory of state agencies that issue business licenses. The secretary also tracks, gives notice, and collects business registration renewals.

Conclusion

Although this study is not a performance audit of the Small Business Licensing Coordination Center or the Department of Commerce, it does not appear that the center and the department are meeting the purpose and intent of the 1981 act. Montana law states that the purpose of the Small Business Licensing Coordination Act is to eliminate unnecessary license requirements, to streamline licensing procedures, and to provide a convenient, accessible, and timely system for business licensing.

Little, if anything, has changed since 1981 to force one to conclude that these purposes have been met.

Business licensing has not become more streamlined or convenient. In the testimony offered in 1981 in support of Representative Vincent's original business licensing bill, a proponent listed the licensing requirements associated with opening a convenience store.⁶⁰ The list cited in 1981 does not significantly differ from the hypothetical grocery store discussed in the introduction.

The 1981 law and its few subsequent amendments call for a convenient and timely system. By its nature, a decentralized system is neither convenient nor timely. Although the center provides valuable information to a prospective businessperson, that businessperson must ultimately go to each agency individually to acquire the needed licenses or registrations. Renewals require a similar time commitment from the business. Although the information presented through the center is worthwhile, it does not address the fundamental problem of licensing in Montana--a decentralized system requires more time and effort from the affected party.

The current center is underfunded and understaffed. One person cannot effectively meet the purposes of the 1981 act.⁶¹ Even within its narrow focus as an information clearinghouse, the center could not publish its 1993 license guide because

⁶⁰Committee on Business and Industry, Montana Senate, 47th Montana Legislature, Minutes. Business and Industry Committee (Helena, MT: Montana Legislative Council, March 20, 1981), 5.

⁶¹At the time of this study, the staff person at the center also carries out the responsibilities of the "Made in Montana" program, which identifies and promotes products made in Montana. This task adds to the full-time responsibility of the center.

of a lack of funding.⁶²

Finally, the limited success of this program is due partly to the resistance state agencies, including the Department of Commerce, have shown to a one-stop system, which was the express intent of the 1981 act. The testimony expressed in opposition to the legislative measures and the apparent low priority the center has received in budgeting is the clearest manifestation of this resistance.

⁶²Baumann interview.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

As the hypothetical Travellers' Rest Grocery story in chapter 1 illustrated, Montana's business community is faced with a burdensome licensing system. The legislature and the executive branch have attempted, albeit tentatively, to modify and to ease this burden, but the hardship remains. However, additional steps can be taken to further modify the system in order to make licensing more accessible and less troublesome.

This study suggests three options for consideration by the Department of Commerce and the legislature. Option 1 suggests placing a renewed priority on the current system. Option 2 suggests that major changes could be constructed to the current system. Option 3 takes the approach that a measured, incremental beginning to the development of a master license program might ultimately be more successful. Each option is discussed in order of increasing preference, with option 3 being the option that will be the most immediately successful and will allow the greatest benefit to be realized by the Montana business community in the long term.

Option 1: Enhance the Operation of the Business Licensing Center

Current Montana law contains a reasonable framework under which business licensing can be improved significantly. The Montana Small Business Licensing

Coordination Act lists as the duties of the Small Business Licensing Coordination Center a dozen items that can improve Montana's licensing system without developing a centralized master license system. These duties include:

1. Documenting and analyzing current licensing requirements;
2. Recommending the elimination of unnecessary licensing requirements;
3. Recommending efficient and effective improvements in the administration and enforcement of licensing laws;
4. Developing and distributing information about starting a business in Montana;
5. Maintaining a master list of Montana licensees for distribution to interested parties; and
6. Encouraging state agencies to provide informational brochures about the agency's licensing requirements.

Currently, however, the center only successfully carries out perhaps two of these duties--information distribution and master license list generation.

The center has been largely unsuccessful in carrying out the duties listed in the act because the executive places a relatively low priority on the center's duties. This low priority status is manifest, in part, by the low funding the center receives. In fact, the center's budget includes only the funds for one FTE and minimal expenses. The center did not have the funding necessary to publish its 1993 Montana Business Licensing Handbook.

By placing an appropriate priority on the funding of the current center, it can achieve more of the duties articulated in state law. An additional FTE can accomplish a great deal more information distribution and licensing analysis. The

department should secure appropriate funding for publishing information such as the Handbook.

Option 1, enhancing the current center through additional funding and management attention, will probably cause the least amount of turmoil in the executive branch. The status quo of a decentralized system would remain intact. This option, however, would not achieve the possible benefits of a centralized system.

Option 2: Adopt and Implement a Washington State Style Master License Program

The legislature can consider and pass a measure similar to that offered by Representative Vincent in 1989 that would create a Washington State-style master license system. The system would have in place the features that have been successful in Washington: a master application form, a clearinghouse for license requests and distributions, and a single source for renewals. This option would deliver the greatest benefit to the Montana state government and business community for the reasons outlined in chapter 2.

The chief concern with this option is cost as evidenced in the testimony in opposition to the 1989 and 1991 legislative measures. The Washington system is funded through fees, which may be successful in fully funding the Washington program. However, it is possible that such a funding mechanism might not work in Montana. Washington State possesses an economy of scale that allows the state to collect a large number of relatively inexpensive fees to fund its program. Montana, because of its relatively small population, might not be able to generate fee-based

funding for the same range of services unless it charges higher fees. Montana probably would have to supplement the fee-based funding with general fund dollars to adequately fund a master license program.

These comments concerning the success or failure of the funding of a Montana license system funding mechanism are speculative. A forecasting study might be able to determine whether or not these concerns are valid. Another way of making that determination would be to implement the program with a mix of funding sources, as suggested above, and then track its progress. Washington State essentially employed this last option. It began with a general fund mix and then moved to fee-based funding.

A second concern is the possible burden placed on the business community by the information gathering function of a centralized system. As Mr. Heffner of the Department of Commerce argued in 1991, a centralized system might burden the business community by requiring a large amount of information to be gathered from each business applicant. However, the Washington model has not been a burden. As described in chapter 2, the Washington system relies on a master application, a three-page application that gathers most of the information that the several agencies need to license the business and its various functions. This three page application replaced thirty-five pages under their old system. Most businesses need only to complete the single three page application. If the business activity and its associated license require that more information be gathered than presented on the master application, the applicant completes an addendum to the application, which is usually a one- or two-

page document. Therefore, at most, a business applicant would have to complete a three-page master application and one or more addenda. The net result is a savings to the business; the applicant business need only complete three pages or slightly more rather than the several pages completed for several agencies under the current Montana system.

A final concern with this option is the recent legislative and executive rejection of a centralized system. In the recent past, the executive branch has been reluctant to embrace a fully developed master license program, as demonstrated by its opposition to the 1989 and 1991 efforts to amend the current law. This opposition was primarily based on the high cost of implementing a fully developed system, as well as on the tendency of agencies to oppose the apparent erosion of their licensing authority. Concerning the apparent erosion, a master system would not change the licensing authority, only the way the licenses are granted. A master system would continue to rely on the several agencies to grant their particular part of the master license.

Recent developments suggest that the current climate in Montana government might allow a centralized system to take root and to grow. The governor's working group discussed above and the task force he appointed to examine the "renewing" of state government may be an indication of the governor's willingness to push for reform in the licensing system. These activities, as well as the general mood for change discussed in the introduction, may allow for a reexamination of this issue, if not an immediate adoption of a fully developed centralized system.

Option 3: Move Toward A MLS by Developing and Implementing a Pilot Program

One of the apparent reasons for the success of the Washington Master License System is the slow development and implementation of the system. The first step taken by Washington was a pilot program in 1976 that specifically addressed the grocery business. Working with the Montana legislature, the Department of Commerce should develop a pilot master license program that would include the basic state registration and licenses currently handled by the Departments of Revenue, Labor and Industry, and the State Fund. The Governor's working group is currently undertaking a related task -- waged-based reporting requirements. This paper suggests that the group's efforts be refocused to include an experiment with master licensing.

A pilot program has many advantages. Those who resist change may not be as threatened by a small step as by a large leap. By focusing on three or four current state registration requirements, the Department of Commerce can work incrementally on changing a traditionally conservative state government.

The cost will be relatively small. The department should explore a combination of general fund, federal, and fee monies to fund the pilot program. A fully developed program will require extensive changes in personnel and resources, such as computer equipment; a pilot program will not require the extensive commitment of resources.

A pilot program can be watched and judged and, if deemed unsuccessful or unhelpful, can be terminated with minimal impact to the state system. If a full master

license program is developed and then canceled, the number of people and other resources affected would be great.

The legislature would not necessarily have to be involved in developing the program. The current state law probably provides sufficient direction and authority for the center and the department to undertake such a program. Legislative approval would be helpful because additional general fund dollars, as well as fee authority, will likely have to be sought.

With a master license program, the Department of Commerce has a good opportunity to address the intent of the legislature and to meet the needs of the business community. Such a program would minimize the effort needed for business to operate in the state and might go far to help offset the generally negative mood about government.

APPENDIX A

**STATE OF WASHINGTON
1976 BUSINESS COORDINATION ACT**

authorized, empowered, and directed to promulgate any and all orders, rules, and regulations necessary to accomplish this purpose. [1965 c 148 § 10.]

Effective date—1965 c 148: RCW 43.31.790 through 43.31.860 and the 1965 amendment to RCW 67.16.100 became effective March 20, 1966.

43.31.870 Business coordination act—Legislative intent—Policy. It is the sense of the legislature that the heavy burdens placed upon persons proposing to undertake certain types of businesses in this state through requirements to obtain numerous permits and related documents from various state agencies are undesirable and should be alleviated. The legislature further finds that present methods for obtaining such permits from state agencies are cumbersome and place undue hardships on persons attempting to go into business for themselves. The legislature further finds that multiple inspections related to these permits by the various state agencies is also a burden on many businesses which should be alleviated.

It is hereby declared to be the policy of the state that a pilot program be established to seek to alleviate these problems for one type of business, grocery stores, with the intent that additional businesses will be assisted as the mechanics of this pilot program are established and proven workable. [1975-'76 2nd ex.s. c 68 § 1.]

Severability—1975-'76 2nd ex.s. c 68: "If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected." [1975-'76 2nd ex.s. c 68 § 9.] This applies to RCW 43.31.870 through 43.31.910.

43.31.875 Business coordination act—Definitions. For purposes of RCW 43.31.870 through 43.31.910 the following words mean, unless the context clearly indicates otherwise:

(1) "Department" means the department of commerce and economic development.

(2) "Permit" means any license, permit, certificate, certification, approval, compliance schedule, or other similar document pertaining to regulation of businesses in general, and handling the products normally sold in grocery stores, plus all health, safety, and consumer protection regulations as required by any state agency. For the purposes of RCW 43.31.870 through 43.31.910, "permit" does not include "permits" issued by the department of ecology.

(3) "Person" means any individual, partnership, cooperative, or private corporation, attempting to establish a grocery operation in a new location, or seeking to continue an existing grocery operation.

(4) "Grocery" means any retail business engaged in the sale of food products (except fully prepared meals), beverages, and common household goods. Businesses offering other products and services are included but only covered under RCW 43.31.870 through 43.31.910 to the extent of the grocery related activities. [1975-'76 2nd ex.s. c 68 § 2.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870

43.31.880 Business coordination act—Grocery business—Master application—Form—Master permit—Total fee—Agencies covered—Renewals.

(1) Any person proposing a new grocery operation after June 30, 1976 shall submit a master application to the department requesting the issuance of all permits necessary prior to opening a new operation in the state of Washington. The master application shall be on a form furnished by the department and shall contain in consolidated form all information necessary for the various state agencies to issue a permit. These provisions shall apply to persons seeking to continue an existing operation after January 1, 1977.

(2) Upon receipt of a properly completed master application the department shall immediately send a copy to each state agency with potential jurisdiction over the proposed operation. Each notified agency shall respond in writing to the department within a reasonable time, as determined by the department, advising the department and the applicant (a) that it approves the application; (b) that it approves with certain conditions as specified; or, (c) that it denies the application with reasons given for the denial.

The department will then issue a master permit covering all the approvals and conditions excluding any denials. It shall be the responsibility of the applicant to make appeals on conditions imposed or on permit denials through that normal appeal process established by the agency with jurisdiction for the issuances of such permit.

(3) A total fee based on the sum of fees for individual permits requested will accompany each master application and will be collected by the department and used to reimburse the various state agencies as per their schedules. The issuance of a master permit shall be in lieu of any permit, certificate, or similar document required by any agency listed in subsection (4) of this section.

(4) All permits and inspections related to grocery operations by the following state agencies are covered under RCW 43.31.870 through 43.31.910.

- (a) Department of revenue;
- (b) Department of labor and industries;
- (c) Department of employment security;
- (d) Department of agriculture;
- (e) Department of fisheries;
- (f) Liquor control board;
- (g) State pharmacy board;
- (h) Department of highways; and

(i) any other state agency, that may now or in the future issue permits or make inspections of grocery operations: *Provided*, That nothing in this section shall be construed to eliminate state or local governmental health or safety inspections.

(5) All individual permits covered by RCW 43.31.870 through 43.31.910 shall expire according to a staggered schedule to be specified by the department of commerce and economic development. Costs for permits issued in the interim will be prorated according to the time each permit is in force.

(6) Starting January 1, 1977, annual renewals for all individual permits will be replaced by a master permit issued by the department of commerce and economic development.

under conditions originally imposed unless one of the regulatory agencies informs the department of revised restrictions to be imposed prior to such issuance. [1975-'76 2nd ex.s. c 68 § 3.]

Reviser's note: Powers, duties, and functions of the department of highways transferred to department of transportation; see RCW 47.01.031. Term "department of highways" means department of transportation; see RCW 47.04.015.

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

43.31.885 Business coordination act—Coordination and consolidation of inspections. The director of the department is authorized to establish a program for coordinating all inspections by state agencies of grocery establishments. Where practicable under existing law, he is authorized to require that inspections with similar objectives or involving common expertise be consolidated and performed by one inspector at one time. The director shall be authorized to provide special training to inspectors where it is determined that such training will assure the consolidation of certain inspections. [1975-'76 2nd ex.s. c 68 § 4.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

43.31.890 Business coordination act—Permit issuing centers. The department shall establish permit issuing centers in its office at Olympia and in all of its regional offices. [1975-'76 2nd ex.s. c 68 § 5.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

43.31.895 Business coordination act—Report to legislature. The department, after consultation with other state agencies and affected businesses, shall submit to the legislature by January 1, 1977, a report setting forth the results of the experience under RCW 43.31.870 through 43.31.910 together with any recommendations for: (1) Consolidating inspections further by change in existing statutes; (2) expanding the program to include other types of business; and (3) further improving procedures. [1975-'76 2nd ex.s. c 68 § 6.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

43.31.900 Business coordination act—Liberal construction. The rule of strict construction shall have no application to this chapter and it shall be liberally construed in order to carry out its purposes. [1975-'76 2nd ex.s. c 68 § 7.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

43.31.910 Business coordination act—Short title. RCW 43.31.870 through 43.31.910 shall be known as the "Business Coordination Act". [1975-'76 2nd ex.s. c 68 § 8.]

Severability—1975-'76 2nd ex.s. c 68: See note following RCW 43.31.870.

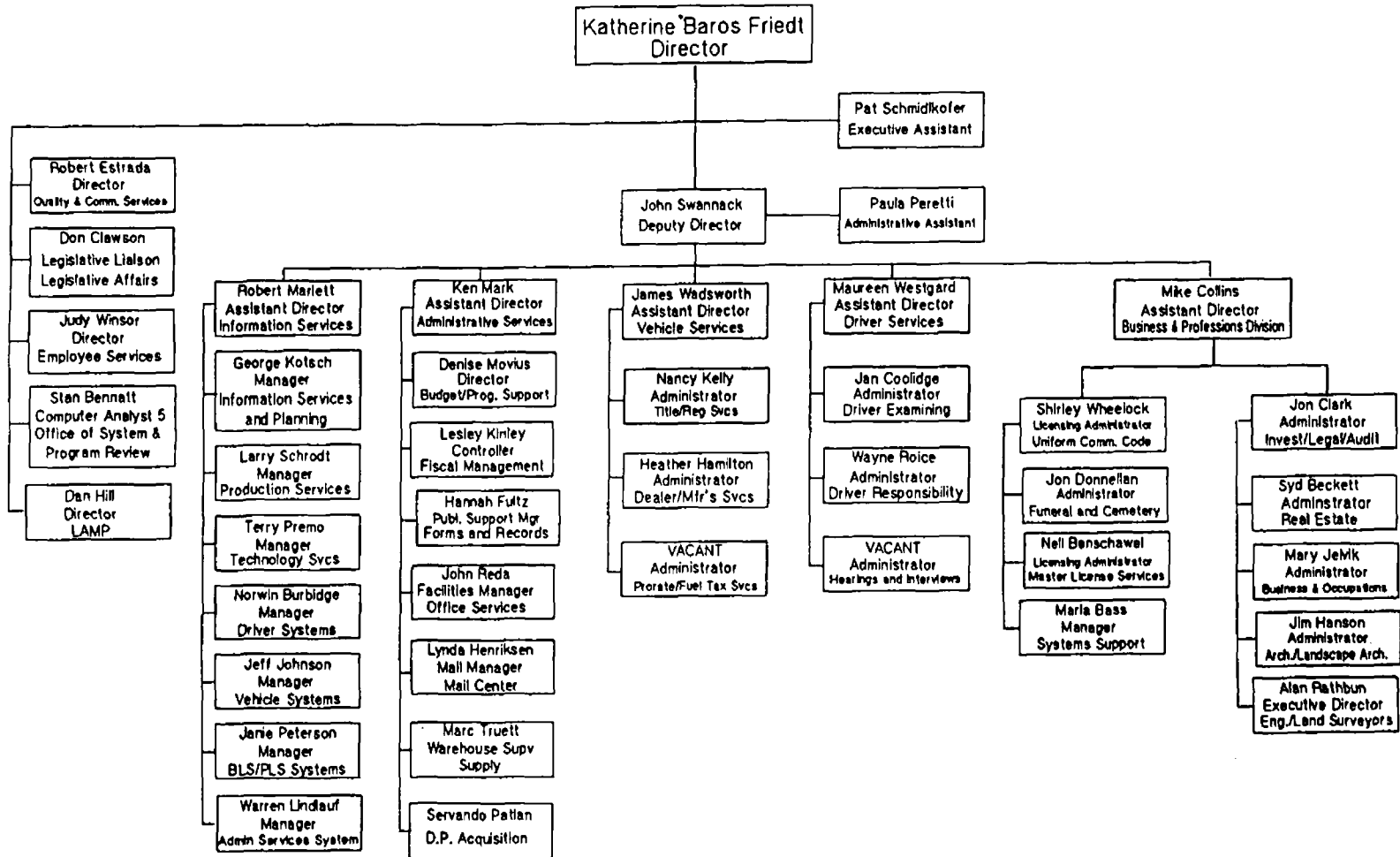
APPENDIX B

STATE OF WASHINGTON MASTER LICENSE SYSTEM

ORGANIZATIONAL AND FLOW CHARTS

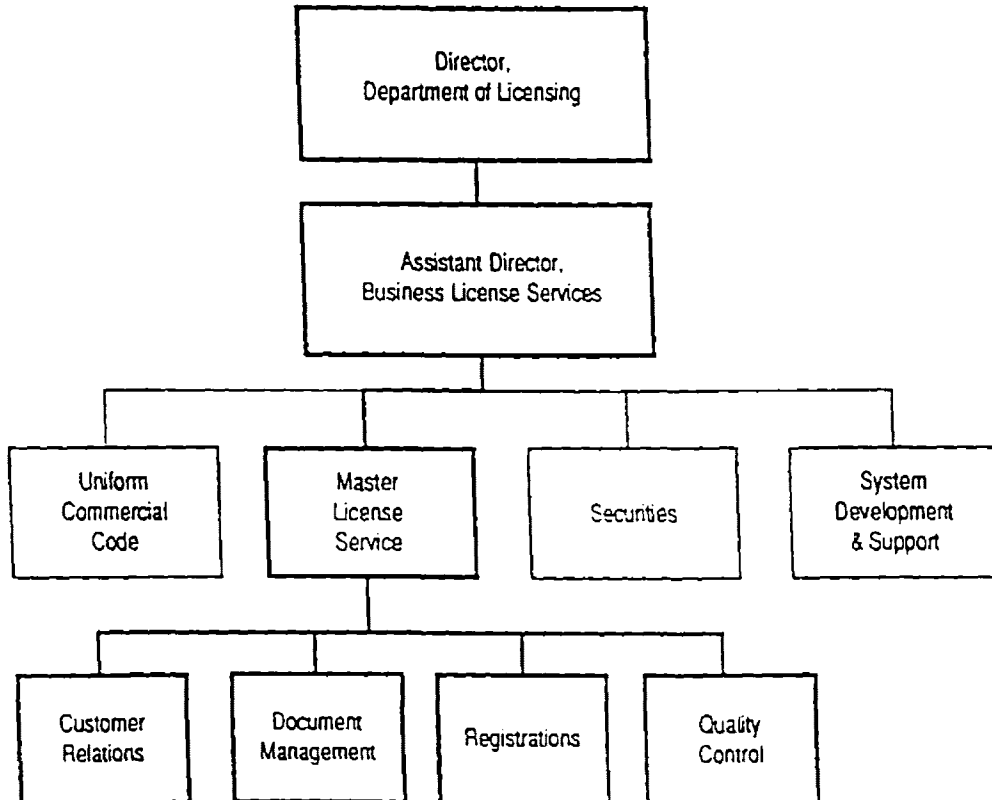
DEPARTMENT OF LICENSING

Organization Chart

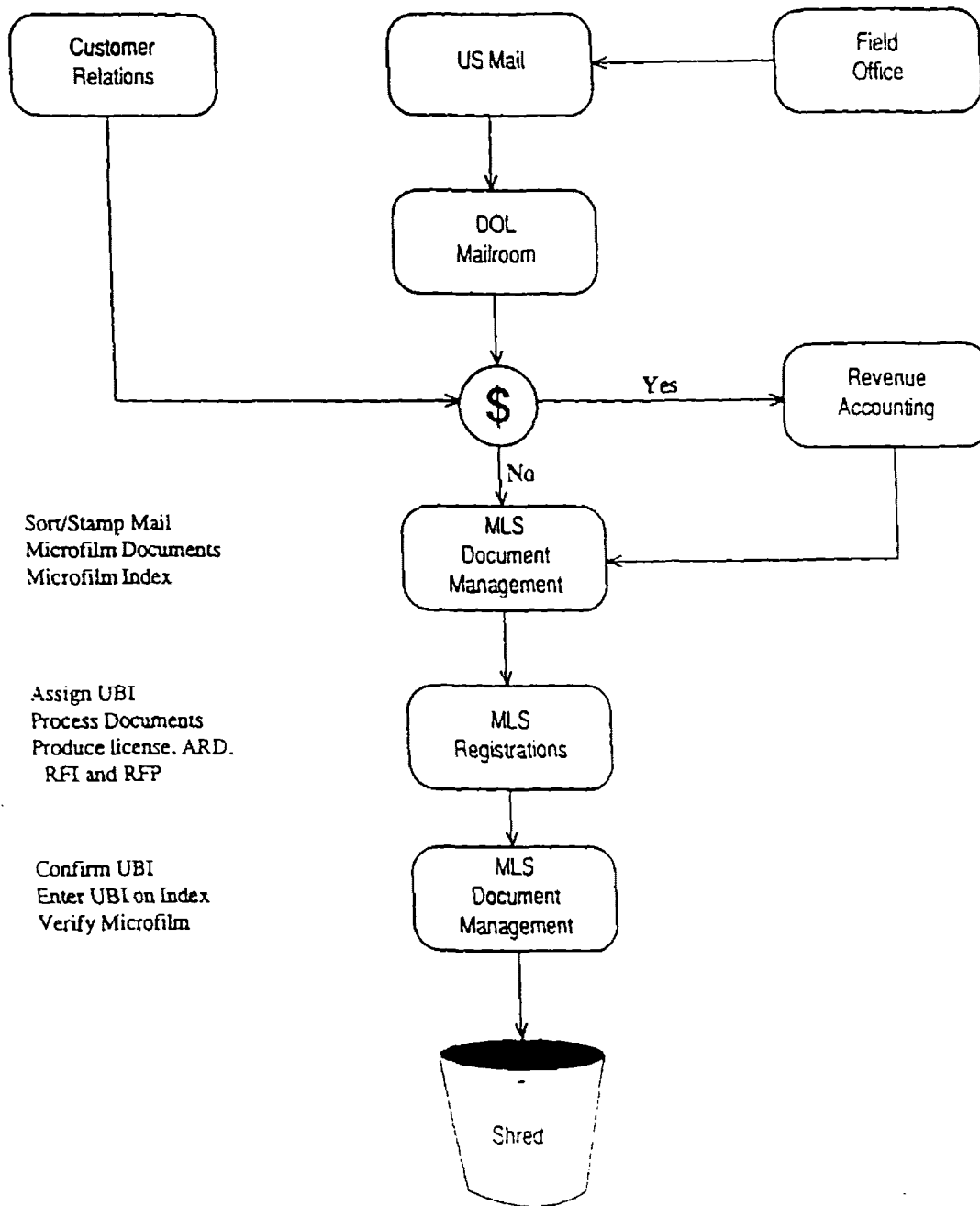


Business License Services Organization Chart

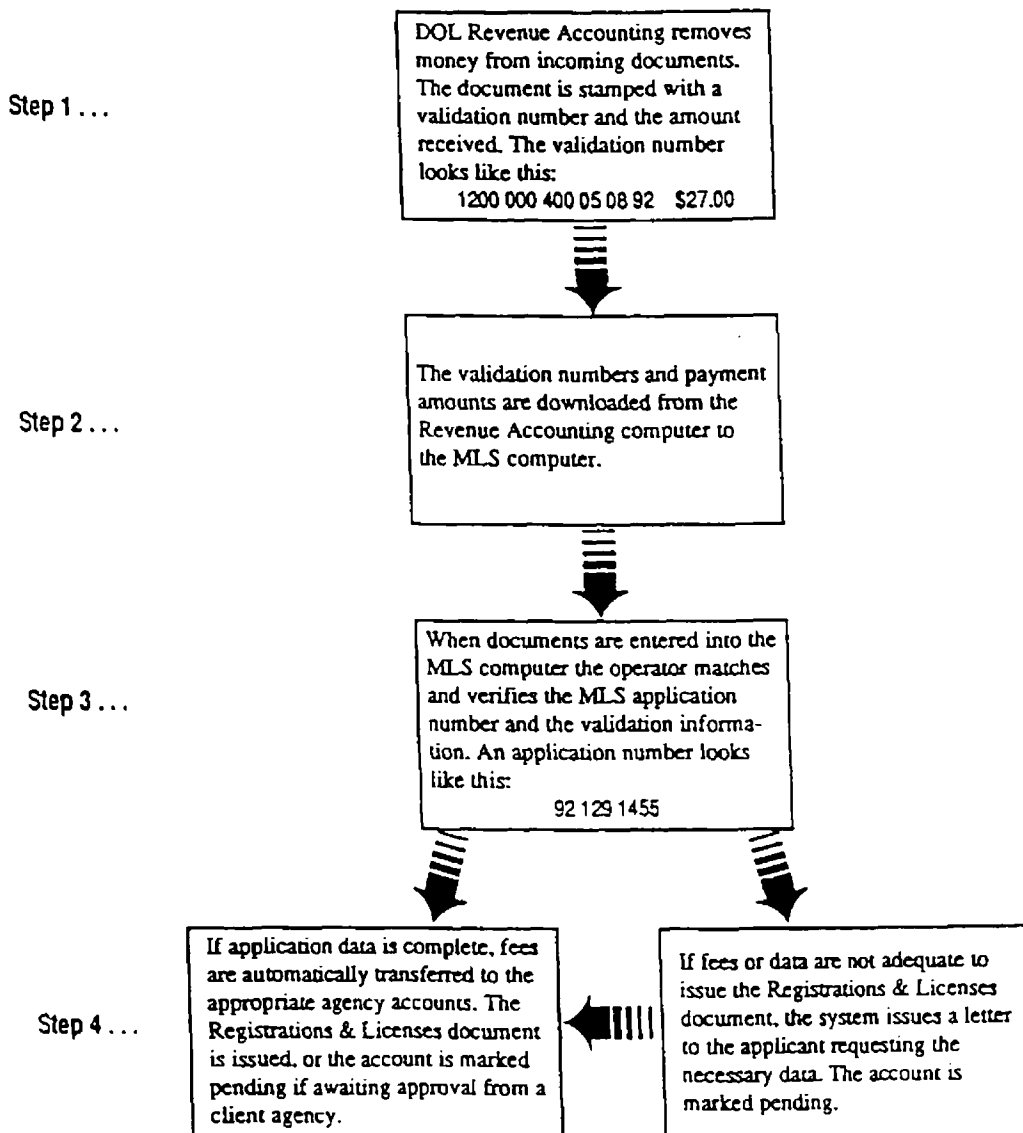
The chart below shows the areas of responsibility within Business License Services. The Master License Service (MLS), Uniform Commercial Code (UCC), and Securities Division are responsible for programs for the public. System Development and Support (SDS) develops and maintains BLS' automated systems, acts as a liaison with client agencies, produces publications, and provides other support activities.



MLS Document Flow (MBA)



How Money is Processed in MLS



APPENDIX C

STATE OF WASHINGTON MASTER LICENSE



REGISTRATIONS AND LICENSES

STATE OF WASHINGTON

UNIFIED BUSINESS ID#: 000 000 000
BUSINESS ID#: 001
LOCATION: 0001
EXPIRES: 99-99-9999

ORGANIZATION TYPE
DOMESTIC PROFIT CORPORATION

JOHN Q. PUBLIC, INC.
PUBLIC'S CORNER STORE
ABC LANE
ANYWHERE WA 11111

TAX REGISTRATION
INDUSTRIAL INSURANCE
UNEMPLOYMENT INSURANCE
EGG DEALER
CIGARETTE RETAILER
RETAIL E-BEER-OFF PREMISES
RETAIL F-WINE-OFF PREMISES
LOTTERY RETAILER

REGISTERED TRADE NAMES:
PUBLIC'S CORNER STORE
PUBLIC'S CORNER MARKET

The above entity has been issued the business registrations or licenses listed
DEPARTMENT OF LICENSING, BUSINESS & PROFESSIONS DIVISION,
P.O. BOX 9034 OLYMPIA, WA 98507-9034 (206) 753-4401

Kathy Reeves Christ
Director, Department of Licensing

350

EXPIRATION DATE

UBI NUMBER

000 000 000 001 0001
JOHN Q. PUBLIC, INC.
PUBLIC'S CORNER STORE
ABC LANE
ANYWHERE WA 11111

TAX REGISTRATION
INDUSTRIAL INSURANCE
UNEMPLOYMENT INSURANCE
EGG DEALER
CIGARETTE RETAILER
RETAIL E-BEER-OFF PREMISES
RETAIL F-WINE-OFF PREMISES
LOTTERY RETAILER

(FOLD HERE)

(FOLD HERE)

DETACH THIS SECTION FOR YOUR WALLET
The information printed here serves as notice that the registrations or licenses listed have been issued for your business

IMPORTANT!**PLEASE READ THE FOLLOWING INFORMATION CAREFULLY
BEFORE POSTING THIS DOCUMENT.****General Information**

- Post this document in a visible place.
- This document *may* have been issued as a result of changes to your account. If you were issued a Registrations and Licenses document before, **destroy the old one and post this one in its place.**
- If you were issued renewable licenses, the expiration date appears in the upper right-hand corner on the reverse side of this document. Business and Professions Division will mail a renewal notice to you four to six weeks before that date.
- Registrations remain in effect as long as you continue required reporting (see Registrations).
- Please contact Business and Professions Division if you change your business name, location, mailing address, telephone number, or business ownership.

Registrations

If you applied for registrations with Department of Revenue, Department of Labor & Industries, or Employment Security Department, these registrations will appear on your Registrations and Licenses document. However, **your registration with these agencies is not complete until they have established an account for your business.**

Each registering agency requires you to submit periodic reports. Each agency will send you the necessary reporting forms and instructions.

Corporations

Submitting an MBA does **not** authorize you to legally operate as a corporation if you have not filed with the Corporations Division of the Secretary of State. If you have any questions, call (206) 753-7115.

APPENDIX D

STATE OF WASHINGTON NEW BUSINESS PACKET MATERIAL



STATE OF WASHINGTON
DEPARTMENT OF LICENSING

Olympia, Washington 98504-8001

Dear Business Person:

We have prepared this packet based on our understanding of your intended business activities. The packet contains the following:

- **Licensing Guide Sheet** -- A record of our telephone conversation and referrals for federal, state, and local agencies you must contact as you set up your business.
- **Master Business Application** -- Washington's basic business application. Most businesses will need only this one application; however, certain types of business activities may make it necessary for you to file additional information.
- **Directory of Offices** -- A directory of local offices where you can obtain assistance with your application and receive a Unified Business Identifier (UBI) which lets you begin operating immediately.
- **Registration and License Description Sheet** -- An explanation and fee sheet to be used with the Master Business Application.
- **Operating a Business In Washington** -- A booklet which discusses common types of business structures, taxes, employer obligations, employment standards, and government agencies that regulate business activities.
- **Other** -- Several forms required by other agencies may have been included with this packet for your convenience.

If you have questions about federal requirements, you may call the Federal Information Center in Maryland at 1-800-726-4995.

Please complete the enclosed forms and return to the address shown on each form. If we can be of any further assistance, please contact our office at (206) 753-4401.

DEPARTMENT OF LICENSING

BUSINESS LICENSE SERVICES

=====

OPERATOR : MGR
DATE : 07/26/94

ATTENTION :
NAME : JEFF
ADDRESS :
CITY, ST ZIP:

PHONE :
(206)

PROFIT CORPORATION

OFFICERS : 0 STK HLDRS > 10% & NOT OFFICERS : 0

IN-STATE

COUNTY : KING
(206)296-3504

CITY : SEATTLE
(206)684-8484

Wherever business is to be conducted, contact county auditor, and the city clerk if listed above (only incorporated cities).

Contact your county assessor to obtain information about taxes on personal property (furniture, equipment, supplies, etc.) used in the operation of your business.

If you use or intend to use live or recorded music at your business premises, be aware that all music used in this way is protected by U.S. copyright laws. Call 1-206-526-1815 and 1-800-326-4264 for more information about the use of music by businesses.

The information in this packet has been compiled based on our understanding of your business activities.

DESCRIPTION:
CONTRACTOR

***** ENCLOSED FORMS *****
=====

BASIC PACKET

APP. FOR EMPLOYER IDENTIFICATION NUMBER (SS4)

ARTICLES OF INCORP. PROFIT

APPLICATION FOR CONTRACTOR REGISTRATION

***** SPECIAL LICENSING *****
=====

CORPORATE LICENSING

SECRETARY OF STATES OFFICES
2ND FLOOR, REPUBLIC BUILDING
OLYMPIA, WA 98504
(206) 753-7115
PHONE HOURS: 8 AM - 4:30 PM

CONTRACTOR'S LICENSE

DEPT. OF LABOR & INDUSTRIES
CONTRACTOR DIVISION
7273 LINDERSON WAY SW, 1ST FLOOR
OLYMPIA, WA 98504
(206) 956-5226 OLYMPIA & OUT OF STATE
(800) 647-0982 WASHINGTON TOLL FREE

JOURNEYMANS ELECTRICAL LICENSE

DEPT. OF LABOR & INDUSTRIES
ELECTRICAL DIVISION
7273 LINDERSON WAY SW, 1ST FLOOR
TUMWATER, WA 98502
(206) 956-5269

ELECTRICAL CONTRACTOR'S LICENSE

ELECTRICAL ADMINISTRATOR'S CERTIFICATE

DEPT. OF LABOR & INDUSTRIES
ELECTRICAL DIVISION
7273 LINDERSON WAY SW, 1ST FLOOR
TUMWATER, WA 98502
(206) 956-5226

JOURNEYMAN PLUMBERS CERTIFICATE

DEPT. OF LABOR & INDUSTRIES
PLUMBERS DIVISION
7273 LINDERSON WAY SW, 1ST FLOOR
TUMWATER, WA 98502
(206) 956-5226

ASBESTOS REMOVAL REQUIREMENTS

CONTACT THE AGENCIES LISTED BELOW:

ENVIRONMENTAL PROTECTION AGENCY
MR. WALT JASPERS (206) 442-2870
1200 SIXTH AVE.
SEATTLE, WA 98101



BUSINESS LICENSE SERVICES
DEPARTMENT OF LICENSING
P.O. BOX 9034
OLYMPIA, WA 98507-9034

MASTER BUSINESS APPLICATION

Please type or print clearly in dark ink.

BEFORE COMPLETING THIS FORM,
PLEASE SEE THE INSTRUCTIONS ON PAGE 2.

UBI NUMBER
OWNER NAME (Please print clearly)

FOR VALIDATION -- OFFICE USE ONLY

--

01P-400-731-0003

1. LIST REGISTRATIONS, LICENSES, TRADE NAMES AND ANY REQUIRED FEES BELOW

See enclosed "Registration and License Description Sheet" for the information needed to complete this list.		
REGISTRATION OR LICENSE TYPE	FEE	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	CUSTOMIZED PACKET \$5.40	
Enclose check for total amount of all fees.	APPLICATION FEE	\$ 15.00
Make check payable to the WASHINGTON STATE TREASURER.	TOTAL AMOUNT DUE	\$

A PURPOSE OF APPLICATION (You may check more than one box, see the instructions on page 2.)

<input type="checkbox"/> Open New Business	<input type="checkbox"/> Register Trade Name	<input type="checkbox"/> Change Ownership	<input type="checkbox"/> Merger	<input type="checkbox"/> Hire Employees	<input type="checkbox"/> Hire Domestic Employees
<input type="checkbox"/> Add License/Registration	<input type="checkbox"/> Change Trade Name	<input type="checkbox"/> Open New Location	<input type="checkbox"/> Obtain Minor Work Permit	<input type="checkbox"/> Other _____	

B COMPLETE THE INFORMATION WHICH APPLIES TO YOUR BUSINESS OWNERSHIP

SOLE PROPRIETOR	Owner's Name (Last, First, Middle)		Birthdate	Social Security Number
	Home Address (Street or Route, P.O. Box, City, State, Zip)			Home Telephone Number ()
	Spouse (Last, First, Middle)	Is the name of the spouse to appear on this license? <input type="checkbox"/> YES <input type="checkbox"/> NO	Social Security Number	COMPLETE ONLY Birthdate FOR LIQUOR OR LOTTERY LICENSE
PARTNERSHIP List Partners in Section C	Partnership Name (if any) <input type="checkbox"/> Limited (if limited write name exactly as registered with Secretary of State)			Number of Partners
	Partnership Mailing Address (Street or Route, P.O. Box, City, State, Zip)			
CORPORATION List Corporate Officers in Section C	Corporation Name (Exactly as registered with Secretary of State)			Date of Incorporation
	Number of Corporate Officers	Are any Corporate Officers in Washington also Directors and Shareholders? <input type="checkbox"/> YES <input type="checkbox"/> NO		State of Incorporation
OTHER List Principals in Section C	Name of the Organization	Type of Organization	Business Mailing Address (Street or Route, P.O. Box, City, State, Zip)	

UBI #

C COMPLETE THIS SECTION FOR ALL PARTNERS OR CORPORATE OFFICERS (Attach additional sheets if necessary.)

Name (Last, First, Middle)		Birthdate	Social Security Number	% Owned
Home Address (Street or Route, P.O. Box, City, State, Zip)			Home Telephone Number ()	Title
Spouse (Last, First, Middle)		Social Security Number	COMPLETE ONLY FOR LIQUOR OR LOTTERY LICENSE Birthdate	
Name (Last, First, Middle)		Birthdate	Social Security Number	% Owned
Home Address (Street or Route, P.O. Box, City, State, Zip)			Home Telephone Number ()	Title
Spouse (Last, First, Middle)		Social Security Number	COMPLETE ONLY FOR LIQUOR OR LOTTERY LICENSE Birthdate	
Name (Last, First, Middle)		Birthdate	Social Security Number	% Owned
Home Address (Street or Route, P.O. Box, City, State, Zip)			Home Telephone Number ()	Title
Spouse (Last, First, Middle)		Social Security Number	COMPLETE ONLY FOR LIQUOR OR LOTTERY LICENSE Birthdate	

D BUSINESS INFORMATION (Complete for actual location where business will be conducted.)

Date business first will be (was) conducted, under this owner, at this WA location: Mo Day W	Firm/Trade Name			
	Business Mailing Address (Street or Route, P.O. Box — Do not use building name)			Suite #
City		State	Zip	Business Telephone Number ()
Business Location (Street or Route, City, State, Zip — Physical location only)				FAX Number
Is this location within city limits? <input type="checkbox"/> YES <input type="checkbox"/> NO	If yes, which city?	County	Total number of business locations you have in Washington	
Is this business <input type="checkbox"/> Part Time <input type="checkbox"/> Full Time	Estimated Gross Annual Income			
Describe in detail the principal products or services you provide in Washington: (product manufactured or sold, type of construction, etc.)				
Name and Address of Personal or Business Reference (Street or Route, P.O. Box, City, State, Zip)				Telephone Number ()
Bank Name (business or personal account)	Bank Branch Name		Your Federal Employer I.D. Number (FEIN)	
Is this business owned by, controlled by, or affiliated with any other business entity? <input type="checkbox"/> YES <input type="checkbox"/> NO		If YES, list other business entity		
Is this a Nonprofit Organization established for educational, religious, or charitable purposes? <input type="checkbox"/> YES <input type="checkbox"/> NO				

E COMPLETE IF YOU OPERATED OR ARE OPERATING ANY OTHER BUSINESS IN WASHINGTON STATE

Owner Name or Firm Name	Last year in business
Firm Address (Street or Route, P.O. Box, City, State and Zip)	UBI/State Tax Registration Number

F COMPLETE IF THE BUSINESS YOU ARE REGISTERING HAD A PRIOR OWNER

Did you buy, lease or acquire all or part of an existing business? <input type="checkbox"/> YES <input type="checkbox"/> NO	If yes, check one box <input type="checkbox"/> ALL <input type="checkbox"/> PART	Previous Business Name	Previous Owner's Telephone No ()	Still in Business? <input type="checkbox"/> YES <input type="checkbox"/> NO
Date Bought/Leased/Acquired Mo Day Yr		Previous Owner's Name and Address		

G COMPLETE IF YOU PURCHASED OR LEASED FURNITURE, FIXTURES, OR EQUIPMENT FOR THIS BUSINESS

Did you purchase any fixtures or equipment on which you have not paid sales or use tax?	<input type="checkbox"/> YES <input type="checkbox"/> NO	If Yes, purchase price \$ _____	Are you leasing furniture, fixtures or equipment for use in Washington?	<input type="checkbox"/> YES <input type="checkbox"/> NO	If Yes, from whom?
---	---	---------------------------------	---	---	--------------------

H COMPLETE IF YOU ARE AN OUT OF STATE BUSINESS

Are sales solicited on your behalf in Washington?	<input type="checkbox"/> YES <input type="checkbox"/> NO	If Yes, by:	<input type="checkbox"/> Resident employees <input type="checkbox"/> Non-resident employees <input type="checkbox"/> Traveling representatives	<input type="checkbox"/> Local independent agents <input type="checkbox"/> Other	
Do you maintain stocks of merchandise, including consigned stock, in Washington?	<input type="checkbox"/> YES <input type="checkbox"/> NO	Do you lease articles of personal property to others for use in Washington?	<input type="checkbox"/> YES <input type="checkbox"/> NO	Do you perform services in Washington for customers, clients, or franchisees?	<input type="checkbox"/> YES <input type="checkbox"/> NO

I COMPLETE IF YOU EMPLOY OR PLAN TO EMPLOY ONE OR MORE PERSONS IN WASHINGTON

Date of first employment or planned employment at this location	Mo Day Yr	Number of persons you employ or plan to employ at this location (Do not include owners)	Of these, how many are or will be minors (under age 18)?	Are any of these minors under age 16?	<input type="checkbox"/> YES <input type="checkbox"/> NO
List the specific duties performed by minors at this location					Are the minors working in an agricultural business? <input type="checkbox"/> YES <input type="checkbox"/> NO
If you operate at more than one location, how do you wish to report for Unemployment Insurance and Industrial Insurance?					<input type="checkbox"/> COMBINED <input type="checkbox"/> SEPARATE
Do you wish Unemployment Insurance coverage for corporate officers?					<input type="checkbox"/> Yes — Completed Form 5203 is required. This form will be sent to you by Employment Security Department. <input type="checkbox"/> No — Officers must be informed in writing by the corporation.

COMPLETE THIS SECTION FOR INDUSTRIAL INSURANCE

The following categories of employment ARE NOT INCLUDED under the mandatory coverage laws of Washington for Industrial Insurance. If you would like Industrial Insurance coverage for any of these categories, you must request coverage forms below.

Sole proprietor/partner or corporate officers who are directors and shareholders; domestic servants; gardening/maintenance/remodeling in or about the employer's home; services in return for aid; minors under 18 years employed on a family farm; jockey-racing; entertainers; volunteer law enforcement; volunteer workers (medical only); Indian tribal members; community service workers; cosmetologists, barbers, and manicurists who rent booths; newspaper carriers; insurance agents, brokers, and solicitors; other employment as defined in Title 51 of the Revised Code of Washington.

Indicate if you wish coverage forms for:

Sole proprietor/partner or corporate officers who are directors and shareholders. (Form F213-042-000⁵) YES NO

And/or application for optional coverage. (Form F213-112-000⁵) YES NO

⁵ These forms will be sent to you by Labor & Industries and are required before Industrial Insurance coverage becomes effective.

You must check the ONE box which best describes the major operation of your business:

(01) <input type="checkbox"/> Construction — Wood Frame Bldg.	(06) <input type="checkbox"/> Shipbuilding	(09) <input type="checkbox"/> Mfg. — Food Products	(13) <input type="checkbox"/> Retail / Wholesale Trade
(02) <input type="checkbox"/> Construction — All Other	(07) <input type="checkbox"/> Mining / Quarrying / Sand & Gravel	(10) <input type="checkbox"/> Miscellaneous Mfg.	(14) <input type="checkbox"/> Services or Operations or Maintenance
(03) <input type="checkbox"/> Logging / Forestry	(08) <input type="checkbox"/> Mfg. — Wood / Metal / Stone Products	(11) <input type="checkbox"/> Machine Shops / Auto Repair	(15) <input type="checkbox"/> Communications
(04) <input type="checkbox"/> Temporary Help or Trucking	(05) <input type="checkbox"/> Mfg. — Chemicals	(12) <input type="checkbox"/> Agricultural / Farming	(16) <input type="checkbox"/> Clerical / Professional Occup.

DESCRIBE IN DETAIL THE ACTIVITIES OF YOUR EMPLOYEES	3 MONTH ESTIMATE	
	Number of Employees	Workers hours (include minors)

J SIGNATURE OF SOLE PROPRIETOR OR SPOUSE, PARTNER(S), OR CORPORATE OFFICER(S)

I (we), the undersigned, declare under the penalties of perjury and/or the revocation of any license granted, that I (we) am (are) the applicant(s) or authorized representative(s) of the firm making this application and that the answers contained, including any accompanying information have been examined by me (us) and that the matters and things set forth are true, correct and complete.

Signature(s) required (If a corporation, corporate officer must sign)	Title	Date		
X				
X				
X				
Application prepared by (please print)	Title	Telephone number	Date	
Agency representative assisting with application (Please print)	<input type="checkbox"/> Mail <input type="checkbox"/> Counter	Agency Office	Telephone number	Date

INSTRUCTIONS

Use the enclosed Registration and License Description Sheet as a guide to help you determine the fees, registrations, and licenses you need for your business activity. List your registrations, licenses, and fees in Section 1.

SECTION A:

Purpose of the Application

You may check more than one box in Section A. Each selection listed in Section A is described below. You may not need to complete the entire application, depending upon the purpose of your application.

Open New Business

Check this box if:

- You are operating a business in Washington State for the first time.
- Your business is changing ownership type. (For example: A sole proprietorship becomes a partnership.) Complete ALL sections of the application.

Add License/Registration

Check this box if you are currently conducting business in this state and wish to add a license or registration. Complete sections 1, A, B, C (if applicable), D (first 3 lines only), and J.

- If you are adding any licenses marked with an F on the enclosed Registration and License Description Sheet, you must complete additional forms. Please call Business License Services for forms, or information about licensing requirements specific to your business activity. The telephone number is (206) 753-4401.

Register Trade Name

You are required to register a Trade Name if you are an individual, partnership, or corporation conducting business in Washington under a name other than the full legal name of the owner or owners. Complete sections 1, A, B, C, D (first 3 lines only), and J.

Change Trade Name

Check this box if you wish to cancel an existing Trade Name and register another Trade Name.

List the Trade Name you wish to register and the fee amount in section 1. On the line below, enter the Trade Name you wish to cancel. Write "CANCEL" after that name. Complete sections 1, A, B, C, D (first 3 lines only), and J.

Change Ownership

Check this box if you are purchasing an existing business or making an ownership change. (For example: your business was a sole proprietorship, but is changing to a partnership.) Complete ALL sections of the application.

Open New Location

Check this box if you are opening a new location for an existing business. Complete ALL sections of the application.

Merger

Check this box if two businesses have merged to form a single business entity. Complete ALL sections of the application.

Other

Check this box if the purpose for filing your application does not fit within the categories listed in section A. Briefly describe the purpose of your application in the space provided. Complete ALL sections of the application.

Hire Employees

Check this box if you own an existing business and wish to hire employees. Remember, a Master Business Application must be filed before employees can be hired. Complete sections 1, A, B, C, D, I and J.

Hire Domestic Employees

Complete sections 1, A, B (Sole Proprietor portion), I and J. You do NOT have to pay the \$15 handling fee.

HELPFUL HINTS FOR SUCCESSFULLY COMPLETING THE MASTER BUSINESS APPLICATION:

SECTION B: Determine which type of business ownership describes your business and complete the appropriate section. You may find the following ownership definitions helpful.

- **Sole Proprietor:** A self-employed owner operating a business for profit; a marital community between spouses, unless a legal partnership exists.
- **Partnership:** An agreement between two or more entities engaged in the same business enterprise. Profits and losses are shared. Each partner is an agent for the other(s) and liable for the debts of the firm. Can also be a marital community who has formed a legal partnership.
- **Limited Partnership:** A partnership composed of general and limited partners. General partners are responsible for business management and losses. Limited partners are responsible only to the extent of their investments. A limited partnership must file with the Corporations Division, Office of the Secretary of State.
- **Corporation:** A business entity that has the same rights and privileges as an individual. A corporate name is not guaranteed for use when entered on the Master Business Application, unless that name has first been registered with the Office of the Secretary of State. Corporate documents must be filed with the Corporations Division, Office of the Secretary of State. Foreign (out-of-state) Corporations must apply to the Corporations Division of the Secretary of State's office for a Certificate of Authority to do business as a corporation in Washington.
- **Other:** Unincorporated nonprofit associations, trusts, municipalities, political subdivisions, and others that do not fit any of the previous specific categories listed.

SECTIONS C THROUGH H: Complete as required where applicable.

SECTION I: If you decide to hire employees after your application has been filed, you must complete another Master Business Application prior to hiring. Failure to do so could result in a penalty if an employee is injured.

JUST A REMINDER: Processing of your application will be delayed if you do not:

- Enter the date of your first business activity in section D.
- Type or print your application legibly.
- Enclose payment for the license and registration fees.
- Sign your application.

Take your completed application and fee payment to any of the state agencies listed on the enclosed Directory of Offices, or mail them directly to Business License Services at the address shown on page one. Specialty and general contractor's license forms can be obtained at any Labor and Industries office.

*If you have any questions
Call 1-206-753-4401*

Where To File Master Business Applications

You can apply for state-required licenses and registrations at any one of the following locations:

CITY NAME	DEPT OF REVENUE	DEPT OF LABOR & INDUSTRIES	EMPLOYMENT SECURITY DEPT
ABERDEEN	110 West Market (Closed Tues., Thurs., & Wed. afternoons, also 11:30-12:30) (206) 533-9312	415 W. Wishkah Suite 1-B (206) 533-9441	
BELLEVUE		616 120th Ave NE #C-201 (206) 453-3038	14711 NE 29th Pl., Ste. 255 (206) 455-7136
BELLINGHAM	1904-A Humbolt St. (Closed 11:30-12:30) (206) 676-2114	2500 Elm St., Suite F (206) 676-2083	220 Grand Ave. (206) 676-2070
BREMERTON	4841 Auto Center Way, #102 (Closed 11:30-12:30) (206) 478-4961	4841 Auto Center Way, #201 (206) 478-4923	
EPHRATA		21 "C" Street SW (509) 766-2291 or (509) 754-4608	
EVERETT	11627-B Airport Rd. (206) 356-2911	8625 Evergreen Way, #250 (206) 290-1315	840 N. Broadway Bldg. B, Tax Suite (206) 339-5030
KELSO/LONGVIEW	711 Vine St., Kelso (Closed Tues. & Thurs., also 11:30-12:30) (206) 577-2015	900 Ocean Beach Hwy. Longview (206) 577-2280	
KENNEWICK	22 Kennewick Blvd. (509) 545-2442	500 N. Morain, Suite 1110 (509) 735-0100	
MT. VERNON		525 E. College Way, Suite H (206) 428-1350	
OKANOGAN		1234 Second Ave. S. (509) 826-7345	
OLYMPIA/TUMWATER*	2735 Harrison Ave (Target Place) or General Admin. Bldg. 11th and Columbia, Rm 412 800-647-7706	7273 Linderson Way SW (206) 956-5799	3738 Pacific Ave (206) 438-7845
PASCO			3900 W. Court St (509) 545-2297
PORT ANGELES	1601 E. Front St., Bldg. 2, Ste. A (Closed Tues. & Thurs., also 11:30-12:30) (206) 457-2564	1026 E. First St., Suite 1 (206) 457-2639	
RENTON	919 SW Grady Way, #150 800-647-7706		
SEATTLE	2101 4th Ave., Ste. 1400 800-647-7706	300 West Harrison St. (206) 281-5475	8746 Mary Ave. NW, or 8830 25th Ave. SW (206) 545-6518 or (206) 764-4290
SPOKANE	300 Northtown Off. Bldg. North 4407 Division (509) 482-3800	901 N. Monroe, Ste. 100 (509) 324-2600 (509) 324-2611	S. 130 Arthur St., 2nd Floor (509) 533-2090
TACOMA	11707 21st Ave. S., Ste. B (206) 536-6276	1305 Tacoma Ave. S., #305 (206) 596-3941	1305 Tacoma Ave. S., #304 (206) 593-7380
VANCOUVER	8008 NE Fourth Plain, Ste. 320 (206) 260-6176	312 SE Stone Mill Dr., #120 (206) 896-2300	904 Franklin St. (206) 696-6551
WALLA WALLA		1815 Portland Ave. (509) 527-4437 Closed Noon to 1 & no MBA after 4 p.m.	
WENATCHEE	Six Thirty Place, Ste. B-3 630 N. Chelan Ave (Closed 11:30-12:30) (509) 663-9714	123 Ohme Gardens Road (509) 663-9713	123 Ohme Gardens Road (509) 662-0448
YAKIMA	1714 S. 16th Ave. (509) 575-2783	1716 S. 16th Ave. (509) 454-3708	306 Division St (509) 575-2683
*Other Locations	Dept of Licensing 405 Black Lake Blvd., Bldg. #2, Olympia (206) 753-4401	Secretary of State (Corporations Division) 505 E. Union, Olympia (206) 753-7115	

All offices are open from 9 a.m. to 5 p.m. unless otherwise noted.



Registration and License Description Sheet

Unless otherwise noted, the following registrations and licenses are available through Washington's Master License Service. You must complete a Master Business Application and pay the appropriate fees to obtain these registrations and licenses. Your business may require additional licenses that are not available through the Master License Service. If you need more information on licensing requirements for your business, contact the Master License Service at (206) 753-4401.

APPLICATION FEE (Must be paid each time a Master Business Application is submitted.) **\$15**

REGISTRATIONS (These registrations are valid as long as you remain in business.)

TAX REGISTRATION **Department of Revenue** **\$15**

You must obtain a tax registration if you answer "yes" to any of the questions listed below. A tax registration cannot be transferred to another business.

- Do you plan to gross over \$12,000 per year?
- Will you be selling at retail any item or product to another person?
- Will you be repairing, installing, altering, decorating, or improving any item or product for another person (e.g. car repair, construction)?
- Will you engage in a business that is responsible for any other state taxes (e.g. timber, fish, litter, public utility, hazardous substance/waste, etc.)?

INDUSTRIAL INSURANCE **Department of Labor & Industries** **No Fee**

If you employ one or more people, you must apply for industrial insurance coverage. The Department of Labor & Industries will review your application and determine whether you must obtain industrial insurance.

- Industrial insurance is not mandatory for business owners. If you want industrial insurance coverage for yourself, you must complete an Application for Employer Coverage.
- All executive officers and corporate officers who are directors and shareholders are exempt from coverage.
- All executive officers must be covered if you complete elective coverage forms for your executive officers.

UNEMPLOYMENT INSURANCE **Employment Security Department** **No Fee**

If you employ one or more persons, you must apply for unemployment insurance coverage. The Employment Security Department will review your application and determine whether you are required to provide coverage. Any claim for exemption, except corporate officers, must be approved by the Employment Security Department. Corporate officers are exempt, but you must notify them in writing that they are not being covered by unemployment insurance.

TRADE NAME REGISTRATION **Department of Licensing** **\$5 per name**

Any individual or partnership conducting business in Washington under a name other than the full legal name of the owner or owners must register a trade name. Corporations or limited partnerships operating under a name other than the corporation name registered with the Office of the Secretary of State must also register.

RENEWABLE REGISTRATIONS (These registrations must be renewed annually.)

CONTRACTORS REGISTRATION **Department of Labor & Industries** **F** **Not available thru MLS; contact L&I Contractors Registration at 206-956-5226 or 1-800-647-0982**

Any individual or business involved in construction, remodeling, repair, excavation, or demolition of any structure, road or railroad must obtain a contractors registration. Those who install floor coverings or scaffolding, and those who install or repair roofing or siding must also register. This registration is also required for any individual who plans to hire sub-contractors from more than one trade to work on a single project related to the individual's own property.

A = Agency approval required. You may not begin these business activities until you receive a Registrations and License document listing the required license.

F = Additional forms required.

CORPORATE REGISTRATION **Office of the Secretary of State** **F** **Not available thru
MLS; contact the
Corporations Div.,
Secretary of State
at 206-753-7115**

Corporations doing business in Washington must file either Articles of Incorporation (firms incorporating in Washington) or a Certificate of Authority (firms incorporating in any other state or country) with the Corporations Division of the Office of the Secretary of State. This registration is required *in addition* to obtaining your Registrations & Licenses document through the Master License Service.

RENEWABLE LICENSES (These licenses must be renewed annually.)

BULK FERTILIZER DISTRIBUTOR **Department of Agriculture** **\$25 per location**
Required for any location that distributes commercial fertilizer in bulk (in non-packaged form) within or into Washington state.

EGG DEALER **Department of Agriculture** **\$10 for first
location**
Required for businesses or persons that produce, handle, contract for, or obtain possession or control of eggs for sale to wholesalers, dealers or retailers, or for the processing of eggs and subsequent sale of processed eggs to wholesalers, dealers, retailers or consumers. A copy of this license must be posted at each location where the licensee operates. **Note:** Poultry producers who sell eggs from their own flocks directly to household consumers for use by the household do not need this license. **\$5 for each
additional location**

NURSERY DEALER/WHOLESALER **Department of Agriculture** **F** **The fees below
include a 20%
surcharge**
Required for businesses that sell or hold live plants for planting, breeding, or decoration. Turf is included. Choose either a wholesale or retail license based on what you believe will be your primary source of income; then estimate your total nursery sales for the calendar year. Determine the fee due based on your license type and your sales estimate. A license is not required if you sell less than \$100 per year. (Nursery dealers selling fruit tree stock must also pay an annual assessment fee. For fruit tree assessment rates, please call (509) 575-2750.) For information on plant product export requirements or nursery inspection fees call (206) 872-6480.

Nursery Retailer:	\$100 to \$2,500	\$42 per location
	\$2,501 to \$15,000	\$90 per location
	Over \$15,000	\$180 per location
Nursery Wholesaler:	\$15,000 or under	\$90 per location
	Over \$15,000	\$180 per location

PESTICIDE DEALER **Department of Agriculture** **A/F** **\$36 per location
(includes \$6
surcharge)**
Required to sell all pesticides **except those labeled *home and garden use only*** that are one gallon or less liquid, 5 pounds or less dry weight, or 50 pounds or less for pesticide-fertilizer mixes. Each location must have a Pesticide Dealer Manager to supervise pesticide distribution.

REFRIGERATED LOCKER **Department of Agriculture** **A/F** **\$10 per location**
Required for businesses that rent refrigerated lockers or locker space.

SEED DEALER **Department of Agriculture** **\$25 per location**
Required for selling seeds except those packaged in containers of 8 ounces or less by a registered seed labeler.

WASTE TIRE CARRIER **Department of Ecology** **A** **\$200 plus
\$50 per vehicle
(\$50 non-
refundable)**
Required for businesses transporting tires no longer usable due to wear, damage or defect. Businesses licensed by the Utilities and Transportation Commission or a local government authority need not apply. A \$10,000 bond is required.

WASTE TIRE STORAGE SITE OWNER **Department of Ecology** **A** **\$250 per location
(\$50 non-
refundable)**
Required of any business with outside storage of more than 800 tires which are no longer suitable for their original purpose. A permit from the County Health Department where the site is located and a \$10,000 bond are required.

A = Agency approval required. You may not begin these business activities until you receive a Registrations and Licenses document listing the required license.

USED VEHICLE BATTERY COLLECTOR	Department of Ecology		\$15 per location
Required for businesses that collect used vehicle batteries that are separate from the vehicle. This license is not required for businesses accepting exchanges during sales of new batteries.			
MINOR WORK PERMIT	Department of Labor and Industries		No Fee
If you employ one or more people under 18 years old, you must apply for a Minor Work Permit, in addition to industrial insurance as described on page 1.			
COMMERCIAL TELEPHONE SOLICITOR	Department of Licensing	A/F	\$72 per location
Required for each location making unsolicited commercial telephone calls and selling goods or products during the call. Also required for those who offer free prizes by mail and invite a telephone response. Exclusions from coverage include, but are not limited to, those soliciting for educational, political, or charitable purposes; those for whom less than 60 percent of the prior year's sales were made by telephone solicitations; and those who sell to businesses who either resell the product or use it for manufacturing.			
FOR HIRE	Department of Licensing	A/F	Permit: \$20 Certification: \$20 per vehicle
Required for any person or company approved by their local government to carry paying passengers in taxi cabs or other for hire vehicles (except limousines and whitewater craft). The permit fee must be paid if no permit fee was paid at the local level; the vehicle certificate fees must be paid by all for hire operators. Limousine businesses must register with the Washington Utilities and Transportation Commission; call 206-753-3111 for more information.			
WHITewater CRAFT OPERATOR	Department of Licensing	A/F	\$12 per location
Required for any person carrying passengers for hire on whitewater sections of Washington State rivers. Registrants must provide proof that liability insurance of at least \$300,000 will be maintained for the period of registration.			
LIQUOR LICENSES	Liquor Control Board	A/F	Variable (See Liquor License Description and Fee Information Sheet)
Required for businesses or non-profit organizations retailing or serving beer, wine or spirits; or manufacturing, distilling, wholesaling, transporting, importing, or exporting alcoholic beverages. Also needed for transferring an existing liquor license or changing the location of a licensed premises. A more detailed description of these licenses is available through the Master License Service.			
LOTTERY RETAILER	Lottery	A/F	\$25 per location (non-refundable)
Required for lottery ticket sales. The on-line games require an endorsement to the regular license. Contact the Lottery at 206-753-2155 for more information.			
SHOPKEEPER	Board of Pharmacy		\$25 per location
Required of businesses (except licensed pharmacies) selling any non-prescription drug. These drugs must be in the original manufacturer's packaging.			
CIGARETTE RETAILER	Department of Revenue		\$93 per location
Required for each location at which cigarettes are sold at retail.			
CIGARETTE VENDING MACHINES	Department of Revenue		\$30 per machine
A license sticker is required for each cigarette vending machine owned and operated by a licensed cigarette retailer.			
CIGARETTE WHOLESALER	Department of Revenue		\$650 for first location
Required for businesses that purchase, sell, or distribute cigarettes to retailers for resale. You must post a \$5,000 bond with Department of Revenue.			
CIGARETTE WHOLESALER BRANCH	Department of Revenue		\$115 for each additional location
Required for <i>each additional location</i> that purchases, sells, or distributes cigarettes to retailers.			

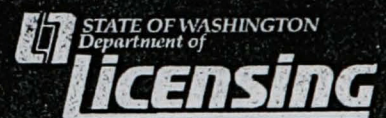
A = Agency approval required. You may not begin these business activities until you receive a Registrations and Licenses document listing the required license.

F = Additional forms required.



**OPERATING A
BUSINESS IN
WASHINGTON
STATE**

**Licensing and
Regulation
Requirements**



Operating a Business in Washington State is produced by the Department of Licensing.

This publication will acquaint you with the one-stop license information service of Business License Services. Regulations concerning taxes, employment standards and employer obligations are also discussed.

To order this publication, send a check for \$4.00 (including tax) to:

Department of Licensing
Business License Services
P.O. Box 9034
Olympia, WA 98507-9034

Phone: (206) 753-4401

Revised January 1993

OPERATING A BUSINESS IN WASHINGTON STATE

Table of Contents	Page
General Information and Considerations	1
Introduction	1
Business Structures	1
Forming a Corporation	2
Licensing Your Business	2
Unified Business Identifier	2
One-Stop Registration	2
Business License Services	3
Master License Service	3
Uniform Commercial Code	3
Securities Division	3
Getting Your Business Off to a Smooth Start	4
Licensing Guide Sheet	4
Washington State Business Assistance Center	4
Master License Endorsements	6
State Requirements and Taxes	7
Tax Registration	7
Employer Registrations	7
Unemployment Insurance (Employment Security Department)	7
Industrial Insurance (Department of Labor and Industries)	8
Employment Standards	9
Wage Regulations	9
Minimum Wage	9
Prevailing Wages	9
Reduced Wage Classifications	10
Overtime Pay	10
Industrial Health and Safety Regulations	10
State Taxes	11
Filing Tax Returns and Payments	11
State Excise Taxes	11
For More Information	12
Federal Requirements and Taxes	13
Federal Requirements	13
U.S. Internal Revenue Service	13
Employment Forms	13
U.S. Federal Information Center	13
Federal Taxes	13
Social Security Taxes	13
Federal Business Taxes	13
Federal Tax Checklist	14
Local Requirements and Taxes	15
Local Requirements	15
Business Licenses	15
Zoning Permits	15
Building Permits	15

Local Requirements and Taxes (cont'd)	
Food Establishments	15
County Personal Property Assessment	15
Local Taxes	15
Municipal Business Taxes	15
Property Tax	15
Local Sales and Use Tax	16
Capitol Campus and Vicinity Map	Inside Back Cover

GENERAL INFORMATION AND CONSIDERATIONS

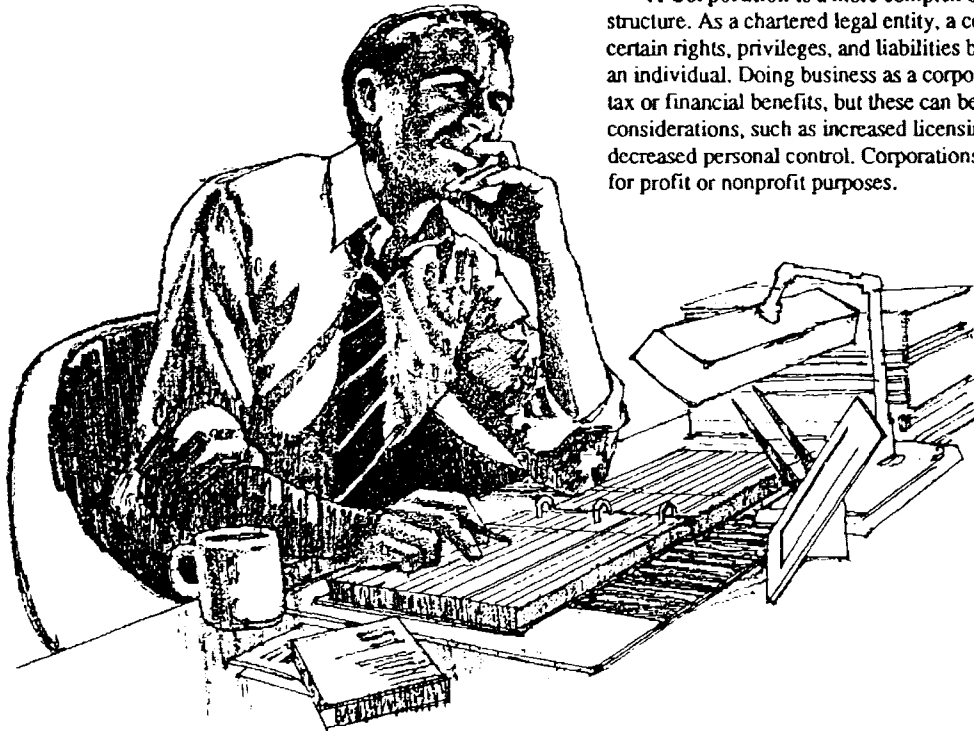
INTRODUCTION

Starting a new business is an exciting and challenging undertaking. Fulfilling your obligations to the government can play a big part in the success or failure of your business, so we've created this booklet to help you understand what those obligations are. We hope the information presented here will assist you in starting and maintaining a successful business.

This booklet begins by explaining some of the general considerations necessary when you begin your business. We then provide you with an overview of your obligations to government at the state, federal, and local level. Since this booklet briefly covers subjects which require booklets of their own, we've tried to refer you to other sources of information whenever possible.

BUSINESS STRUCTURES

You may operate your business under any one of four organizational structures. Each type of business structure has certain advantages and disadvantages that should be considered. You should contact an attorney, accountant, financial advisor, banker, or other advisor to determine which form is most suitable for your business.



A **Sole Proprietorship** is one person or a married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may offer greater flexibility of management, fewer legal constraints, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

A **General Partnership** is composed of two or more persons (usually not a married couple) who agree to contribute money, labor, and/or skill to a business. Each partner shares the profits, losses, and management of the business, and each partner is personally liable for the debts of the partnership. Formal terms of the partnership are usually contained in Articles of Partnership.

A **Limited Partnership** is composed of one or more general partners and one or more limited partners. The general partners manage the business and share full profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business.

Limited partnerships beginning business in Washington must file a Certificate of Limited Partnership with the Corporations Division of the Office of the Secretary of State. Previous corporate and partnership certificates issued by county clerk's offices throughout the state have been transferred to the Office of the Secretary of State for centralized filing and access.

A **Corporation** is a more complex business structure. As a chartered legal entity, a corporation has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may offer tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes.

FORMING A CORPORATION

The steps for forming a profit corporation in Washington are covered in detail in the Business Corporation Act, Title 23B Revised Code of Washington (RCW). Domestic corporations (corporations formed in Washington) must file Articles of Incorporation with the Corporations Division, Office of the Secretary of State for review and approval before corporate existence can begin. Two copies of the Articles of Incorporation (one with original signatures) and fees should be sent directly to the Corporations Division, Office of the Secretary of State.

Foreign (out-of state) corporations must submit two completed copies of an application for Certificate of Authority to Do Business in Washington. The application must be accompanied by proof of good standing issued by the corporation's state of incorporation.

Nonprofit corporations (religious, social, charitable, educational, etc.) are governed by Title 24 RCW. A nonprofit corporation must file two sets of Articles of Incorporation with the Secretary of State.

All corporations (profit and nonprofit) doing business in Washington must have a registered agent with a Washington State address. The registered agent may be an individual or another corporation qualified by the Corporations Division to do business in Washington. The registered agent receives license renewals and other corporate notices and forwards them to the corporation. The agent also accepts legal papers served on the corporation (service of process). The Articles of Incorporation or application for Certificate of Authority must contain or be accompanied by a statement signed by the registered agent indicating consent to serve.

Filing Requirements and Fees

The forms to use for filing Articles of Incorporation or Certificate of Authority are available from Business License Services (see page 3 for address) or the Corporations Division, Office of the Secretary of State, P.O. Box 40234, Olympia, Washington 98504-0234.

The filing fees are \$175 for profit corporations and \$30 for nonprofit corporations.

Additional fees and filing requirements may apply to insurance companies, building and loan associations, public utility companies, cooperative associations and other specialized profit corporations.

Corporate Licensing and Fees

All corporations must annually pay a license fee and file a list of officers and directors with the Corporations Division of the Secretary of State.

For profit corporations, the annual Corporate License renewal fee is \$50 plus a handling fee of \$9. There is no Annual Report fee. For nonprofit corporations, there is no annual Corporate License renewal fee, but there is an Annual Report fee of \$10.

LICENSING YOUR BUSINESS

UNIFIED BUSINESS IDENTIFIER

In January 1987, several state agencies that work with the business community joined to launch the Unified Business Identifier (UBI) program. A UBI is a nine-digit number that is assigned to your business when you register with the Department of Revenue, the Department of Labor and Industries, the Employment Security Department, or the Secretary of State, or when you apply for licenses through Business License Services of the Department of Licensing.

Prior to the UBI program, each state agency assigned its own account number to identify a business. Now, all agencies participating in the program can identify a business using the UBI, so you can use the same identifying number when dealing with these agencies.

A UBI stays with your business as long as you operate it under the same ownership structure. If you change the ownership structure of your business—for instance, if you change your business from a sole proprietorship to a corporation—you must apply for a new UBI.

ONE-STOP REGISTRATION

With the UBI came one-stop registration, which allows you to fulfill many licensing requirements by completing a three-page *Master Business Application* and making a single payment. The service is now offered statewide at field offices of the departments of Employment Security, Labor and Industries, and Revenue; at the Business Licenses Services office in Olympia; at the Corporations Division, Secretary of State in Olympia; and through the mail.

You will be issued a UBI when your application is received, and a *Registrations and Licenses document* (business license) will follow in the mail.

If you need more complex licenses, such as liquor or lottery, you will be asked to submit additional information and you must await approval from the regulating agency before opening your business.

In the past, a person opening a business had to drive to Olympia, visit several agencies, and fill out separate forms for each agency. Now, if you prefer, Business

License Services will prepare a personalized licensing packet that includes the necessary forms and information, and send it to you through the mail. The completed materials can be taken to any of the field offices or returned by mail. (See page 4 for more information on this service.)

BUSINESS LICENSE SERVICES

Since its start in 1977, the mission of Business License Services (BLS) has been to simplify business licensing. Through the years, BLS has become the initial processing point for a number of business-oriented programs. The Registrations and Licenses document is the product of just one unit in this unique division of the Department of Licensing. Many other services are offered.

MASTER LICENSE SERVICE

The Master License Service (MLS) is the main processing and distribution point for the UBI program. Applications and fees collected throughout the state are sent to the MLS data center. Data and fees are then passed on to other agencies for further action. MLS produces and mails the Registrations and Licenses document. This document lists all state licenses, registrations, and permits available through MLS for which you have applied and qualified. After opening an account, MLS acts as the agent for renewals and account changes. See page 6 for a list of licenses and registrations available through MLS.

The Customer Relations section of MLS provides business licensing information. Using an index of state requirements, Customer Relations staff inform you of all state licenses needed for any type of business, as well as the license fees, requirements, and renewal periods.

If you prefer, Customer Relations will prepare a Licensing Packet for your business. The packet includes a Guide Sheet that lists the required licenses and the state agencies that should be contacted, as well as referrals to related federal, county, and city agencies (see page 5). A Master Business Application and other basic forms or documents are included in the packet.

If you are using a trade name (assumed business name) for your business, you must register the trade name with MLS. The Master Business Application is used to register a trade name. Once a trade name is registered, it remains in effect until the registration is cancelled. The public may call MLS on a 900 number to find out whether a trade name is registered in Washington, and/or the names and addresses of the business owners or parties of interest.

For more information concerning the Master License Service program, contact Business License Services at:

Department of Licensing
Business License Services
P.O. Box 9034
Olympia, Washington 98507-9034
Information or Licensing Packet: (206) 753-4401
Trade Name Information: 1-900-463-6000
(Call costs \$4.95 for the first minute and \$0.50 for each additional minute)

UNIFORM COMMERCIAL CODE

The Uniform Commercial Code (UCC) section operates under a Washington State law governing commercial transactions. The UCC staff maintains records related to collateral pledged for loans.

Lenders who file with UCC establish their priority on collateral if the same item has been pledged to more than one lender. In the event that a debtor goes out of business or declares bankruptcy, a filing with UCC legally establishes the lender as a secured creditor.

The UCC section also conducts searches of their files for the public. A search can show whether a piece of collateral has been pledged to another lender. UCC offers electronic access to its computer files to qualified businesses. For more information about this program, call (206) 753-2523.

SECURITIES DIVISION

The Securities Division is charged with registration and enforcement in the securities brokerage field. The Division works to keep the industry informed as well as regulated.

All stocks or other securities offerings to be sold in Washington must be registered with the Securities Division. In addition, the Division licenses and audits securities professionals such as investment advisors, securities sales agents, securities broker-dealers, franchise sales agents, and franchise brokers.

The Division also works to provide a positive climate for small business development. Several programs through which small businesses can raise needed capital are described in a brochure entitled *Securities Options for Small Business*. To obtain a copy of this brochure, call (206) 753-6928.

GETTING YOUR BUSINESS OFF TO A SMOOTH START

LICENSING PACKET

You can have a personalized Licensing Packet prepared by the Customer Relations section of MLS for a fee of \$5.40, including tax. The packet contains a Guide Sheet (see page 5) that indicates the state licensing requirements for your business operation and refers you to government offices that can serve you. Be sure to give the operator all the necessary information so your Licensing Packet is accurate.

To obtain your packet:

1. Call the Customer Relations line at Business License Services at (206) 753-4401.
2. Describe the business operation you wish to begin. You will be asked for the following information:
 - Under what type of ownership structure will the business operate?
 - Corporation
 - Partnership (general or limited)
 - Sole Proprietorship
 - Will you be hiring any employees?
 - Where is your area of operation?
 - What type of work will be performed?
 - Will you be doing business under a name other than your personal or corporate legal name?
3. Your personalized Licensing Packet includes a Master Business Application and any other forms needed to fulfill the basic requirements for the state.
4. Complete the Master Business Application and any additional forms and be sure to sign them. Incomplete forms cause a delay in processing.
 - If you complete the sections on the MBA related to employees, or if you request industrial insurance or unemployment insurance coverage for yourself, business partners, or corporate

officers, you will be contacted by the departments of Labor and Industries and Employment Security about coverage and fees.

- If you apply for liquor licenses, there will be a delay while the Liquor Control Board completes an investigation for approval of the license.
5. Return all forms to MLS through the mail, or take the forms to any UBI service location listed on the Directory of Offices included in the Licensing Packet.
 6. Contact the federal, county, and city agencies included on the Guide Sheet to find out what you need to do to fulfill their requirements.

WASHINGTON STATE BUSINESS ASSISTANCE CENTER

The Business Assistance Center, a division of the Department of Trade and Economic Development, offers access to more than 100 business assistance programs. These programs include business planning, exporting, financing, and employee recruitment and training. The Business Assistance Center has two locations:

919 Lakeridge Way SW, Suite A
Olympia, Washington 98502
(206) 753-5632

2001 Sixth Avenue, Suite 2700
Seattle, Washington 98121
(206) 464-7143

For business assistance call:

1-800-237-1233 or 664-9501 (Olympia area)

The Business Assistance Center also offers:

- Ombudsmen to mediate disputes and troubleshoot problems between businesses and state or local governments.
- An **Electronic Bulletin Board** of business information and listings of export trade leads, bid opportunities with the State of Washington, management seminars, and other business services. You can access the bulletin board through your computer modem by calling 1-800-622-4637 (from the greater Seattle area, call 441-5472).

- ❑ The Washington Marketplace matches businesses currently buying out-of-state goods and services with suppliers of comparable items produced locally and priced competitively. Businesses participate on a voluntary basis.
- ❑ The Washington Investment Network matches entrepreneurs in need of capital with private investors and venture capital firms.
- ❑ The Child-Care Facility Fund provides direct loans up to \$100,000 each, loan guarantees, or grants up to \$25,000 for employer-supported child care programs.
- ❑ The Minority Business Development Program provides assistance and information on state services available to minority- and women-owned businesses.

Guide Sheet
(Sample)

**DEPARTMENT OF LICENSING
BUSINESS LICENSE SERVICES**

OPERATOR : CLX
DATE : 08/19/92
PHONE :
(206)

ATTENTION : JOHN DOE
NAME : 9412 57TH DR NE
ADDRESS : MARYSVILLE, WA 98270
CITY, ST ZIP : MARYSVILLE
SOLE PROPRIETOR :
IN-STATE : CITY : MARYSVILLE
COUNTY : SNOHOMISH (206) 659-8477
CITY : MARYSVILLE
(206) 659-8477

Wherever business is to be conducted, contact county auditor and the city clerk if listed above (only incorporated cities).
Contact your county assessor to obtain information about taxes on personal property (furniture, equipment, supplies, etc.) used in the operation of your business.
If you use or intend to use live or recorded music at your business premises, be aware that all music used in this way is protected by U.S. copyright laws. Call 1-206-526-1815 and 1-800-326-4264 for more information about the use of music by businesses.
The information in this packet has been compiled based on our understanding of your business activities.

DESCRIPTION:
CHILDREN'S HAIR ACCESSORIES - IMPORT
..... ENCLOSED FORMS

1 BASIC PACKET
..... SPECIAL LICENSING

IMPORT LICENSE

US CUSTOMS
909 FIRST AVE
SEATTLE, WA 98174 442-4676
442-2755

PERSONAL TRANSPORTATION
AUTOS, BOATS, AIRCRAFT 442-5425
CLOTHES 442-1555
FOOD & ITEMS NOT LISTED ABOVE

IF MEAT/POULTRY BEING IMPORTED/EXPORTED

US DEPARTMENT OF AGRICULTURE
IMPORT FIELD OFFICE #9
3600 PORT OF TACOMA RD RM #108
WORLD TRADE CENTER
TACOMA, WA 98424
(206) 383-7915

MASTER LICENSE ENDORSEMENTS

The following is a listing of all endorsements available through M.L.S. Endorsements are the licenses, registrations, and permits for which you may apply using the Master Business Application. The list below is compiled alphabetically by regulatory agency. The *Registration and License Description Sheet* that accompanies the Master Business Application briefly describes each endorsement, including fees.

Department of Agriculture

- Egg Dealer
- Nursery Dealer License (retailer)
- Nursery Dealer License (wholesale)
- Pesticide Dealer License
- Refrigerated Locker
- Seed Dealer License

Department of Ecology

- Used Vehicle Battery Collector
- Waste Tire Carrier
- Waste Tire Storage Site

Employment Security Department

- Registration for Unemployment Insurance

Department of Labor and Industries

- Permit to Employ Minors
- Registration for Industrial Insurance

Department of Licensing

- Trade Name Registration
- Whitewater Craft Operator
- Telephone Solicitor

Liquor Control Board - Retail

For a more complete description of liquor licenses, see the Liquor License Description and Fee Information sheet supplied by Business License Services.

- A Beer
- B Beer Tavern
- D Bottle Beer On Premises
- E Beer Off Premises
- C Wine On Premises
- F Wine Off Premises
- FR Wine No Fortified
- P Wine Gift Delivery
- H Beer, Wine, Spirits
- H Restricted Beer, Wine, Spirits
- I Annual Special

Liquor Control Board - Non-Retail

- N1 Manufacturer
- N2 Distill/Rectify
- N3 Chemist Distiller
- N4 Distill Wine/Beer
- N5 Importers
- NS Ships Chandler
- B1 Domestic Brewery
- B2 Beer Wholesaler
- B3-FGN Beer In-State
- B4 Beer Importer
- B5 Out-of-State Beer
- W1 Domestic Winery
- W2 Wine Wholesaler
- W3 Wine Importer
- W4-FGN Wine In-State
- W5 Wine Warehouse
- W6 Growers
- W7 Out-of-State Wine

Liquor Control Board - Club

- A Beer On Premises
- C Wine On Premises
- D Beer On Premises
- H Club Beer, Wine, Spirits

Liquor Control Board - Interstate Common Carrier

- C 1 CCI Transport/Sale/Store (Spirits, Beer, Wine)
- C 2 CCI Transport/Sale/Store (Beer, Wine)
- C 3 CCI Transport/Store (Spirits, Beer, Wine)
- C 4 CCI Transport/Store (Beer, Wine)
- Duplicates

Lottery Commission

- Lottery Retailer

Board of Pharmacy

- Shopkeeper

Department of Revenue

- Tax Registration
- Cigarette Retailer License
- Cigarette Wholesaler License
- Cigarette Wholesaler Branch
- Cigarette Vending Machine

Secretary of State

- Corporate License (renewal only)

If you have questions about the licensing requirements for your business, contact Business License Services at (206) 753-4401.

STATE REQUIREMENTS AND TAXES

TAX REGISTRATION

Persons or businesses engaged in any type of business activity in Washington must register with the Department of Revenue, unless they meet *all* of the following criteria:

- The business grosses less than \$12,000 per year.
- The business does not sell any item at retail.
- The business does not perform any service for which retail sales tax must be charged (see page 11).
- The business is not required to collect or pay any other tax which the Department of Revenue is authorized to collect (e.g. use tax, forest tax, public utility tax, fish tax, etc.). See pages 11 and 12 for more information on these taxes.
- The business is not required to obtain any renewable license.

The state tax registration is obtained by filing a Master Business Application at any UBI service office. The fee for tax registration is \$15, and the UBI serves as your tax registration number.

If you conduct business at more than one location, you will receive a separate Registrations and Licenses document for each place of business.

You may begin business operations immediately after your UBI is assigned, as long as you do not need any licenses that require agency approval. You cannot transfer your tax registration to another business owner, and the registration is valid as long as you stay in business.

Information on specific state taxes begins on page 11.

For more information, call the Department of Revenue's Tax Information line at 1-800-647-7706 (in-state) or 1-800-233-6349 (out of state).

EMPLOYER REGISTRATIONS

If you hire employees, you will need to complete a Master Business Application to apply for accounts with the Employment Security Department and the Department of Labor and Industries.

UNEMPLOYMENT INSURANCE (Employment Security Department)

You must make unemployment insurance contributions if you have any employees. Your responsibilities in the unemployment insurance program are discussed in a booklet entitled *Unemployment Insurance Tax Information*. This booklet is available at any of the 12 Employment Security

District Tax Offices listed on the Directory of Offices that accompanies the MBA.

Contribution Rate

Your contribution rate depends on your experience as an employer, the rate paid by the previous business owner, or the average rate for your industry. You cannot charge any part of the tax to your employees. You must file quarterly reports that show the total wages paid, individual employee earnings, employee social security numbers, the total hours worked, and the tax due. Your tax payment must accompany the report.

Employment Exemptions

You may not have to pay unemployment insurance on the following types of employment:

- Family employment – spouse or unmarried children under the age of 18 (for sole proprietors only).
- Insurance agents, insurance solicitors, or real estate salespersons paid by commission.
- Outside salespersons of merchandise who are paid solely by commission.
- Casual labor not in the usual course of your trade or business (labor which does not promote or advance your trade or business). Domestic services or part-time or temporary labor in the usual course of your business are not considered casual labor.
- Corporate officers, unless the corporation has elected to provide unemployment insurance coverage for all corporate officers. Contact your local Employment Security Department District Tax Office for more information regarding this coverage. If you do not elect to provide coverage for corporate officers, you must inform each corporate officer in writing that they are not covered by unemployment insurance.
- Certain beauty and barber shops.
- Musicians and entertainers, if exempted by written contract.
- Students on small farms.
- Spouses and children (under age 18) of corporate officers or business owners on a small farm.
- Contributions for domestic employees are determined by the amount wages paid per quarter.

Your Employment Security Department District Tax Office will evaluate your situation to determine if you are required to make contributions for your employees.

INDUSTRIAL INSURANCE (Department of Labor and Industries)

Virtually every employer in the state is required to carry industrial insurance for each employee. This coverage provides dual protection. You are protected from lawsuits due to job-related injuries or illnesses, and your employee gains compensation if an injury or occupational illness occurs and time is lost from work.

To open an account, complete a Master Business Application (available at any UBI service office). The job descriptions for your employees are used by the Department of Labor and Industries to assign risk classifications and premiums.

The industrial insurance program is described in a booklet entitled *The Employers' Guide to Industrial Insurance*, which is available on request from the Department of Labor and Industries. Call 1-800-LISTENS or the service location nearest you.

Self-Insurance

The self-insurance program is designed for large employers who meet minimum financial requirements, demonstrate the ability to make prompt payment of all benefits and assessments under the industrial insurance law, and maintain an active safety program with a record of accident prevention.

Exemptions to Industrial Insurance Coverage

The following types of employment are excluded from mandatory coverage, but you may obtain coverage if you wish:

- Sole proprietors or partners of a business.
- Bona fide corporate officers, voluntarily elected or appointed, who are shareholders, board members, and manage the corporation. Their primary responsibilities should not include manual labor. A non-public corporation may exempt eight or fewer bona fide corporate officers from coverage without regard to their performance of manual labor.
- Employees who are not connected with the trade, profession, or business of the employer and whose work is not in or about the employer's private home.
- Persons employed to do gardening, remodeling, or maintenance of the private home of the employer.

- Employees whose industrial insurance benefits are provided by another government plan.
- Children under 18 years of age employed on their parents' farm.
- Domestic servants when there are less than two employed at least 40 hours per week each.
- Persons performing services in exchange for aid or food from religious or charitable organizations.
- Musicians or entertainers not regularly employed by the purchaser.
- Volunteer law enforcement officers (full coverage or medical only is available).
- Volunteer workers for charitable, nonprofit organizations (medical only is available).
- Court-ordered community service workers.
- Indian-owned businesses on their own reservations.
- Insurance agents, brokers, and solicitors.
- Newspaper carriers selling or distributing on the street or house to house.
- Cosmetologists, barbers, and manicurists who rent booths in salons.

To obtain industrial insurance coverage, complete a Master Business Application or contact the Department of Labor and Industries to obtain an application for optional coverage. The Department of Labor and Industries will inform you of the necessary premiums.

Service Locations

You may open an industrial insurance account at a Department of Labor and Industries service location in the following cities: Aberdeen, Bellevue, Bellingham, Bremerton, Ephrata, Everett, Kennewick, Kelso, Mount Vernon, Okanogan, Olympia, Port Angeles, Seattle, Spokane, Tacoma, Tukwila, Vancouver, Walla Walla, Wenatchee, and Yakima. Or you may complete a Master Business Application available from service locations of the departments of Revenue, Employment Security, Licensing, or the Secretary of State's Office.

EMPLOYMENT STANDARDS

As an employer, you must follow specific regulations related to minimum wage, overtime, pay periods, employment records, child labor, physical lifting, wearing apparel, rest periods, and general working conditions. There are differences between state and federal laws; you must comply with the more stringent of the two laws.

You may not fire, discipline, or discriminate against an employee who files a complaint concerning violations of employment standards.

State law requires that you display a poster entitled *Your Rights As a Worker* in the place of employment. This poster and information on other employment regulations are available from your local Department of Labor and Industries service location, or:

Employment Standards Section
Department of Labor and Industries
P.O. Box 44502
Olympia, Washington 98504-4502
Telephone: (206) 753-6311

If the federal law also applies to your business, you must display a poster entitled *Your Rights Under the Fair Labor Standards Act*. Private employers must also display the *Employee Polygraph Protection Act* poster. These posters and information on other federal regulations are available from:

U.S. Department of Labor
Wage and Hour Division
1111 3rd Avenue, Suite 755
Seattle, WA 98101-3212
Telephone: (206) 553-4482

WAGE REGULATIONS

MINIMUM WAGE

If you have employees, you will probably be required to pay minimum wages under either federal or state law.

Federal Minimum Wage

Most employees in occupations directly related to or supportive of interstate commerce must be paid the federal minimum wage of \$4.25 per hour.

In most cases, if your business has a minimum annual dollar volume of \$500,000, you will be subject to federal minimum wage law. However, in smaller firms, employees are covered individually in any workweek in which they perform work related to interstate commerce, regardless of your annual dollar volume.

The federal minimum wage law applies to some entities regardless of annual dollar volume. Those entities are: state and local government agencies; hospitals; institutions for the care and/or housing of sick, elderly, mentally ill, or disabled individuals; and schools.

There are exemptions to the federal minimum wage, but they are narrowly defined and conditions should be carefully checked. Even though certain employees may be exempt from federal law, many of these workers are covered by state minimum wage law.

If you have questions regarding federal minimum wage regulations, contact the U.S. Department of Labor, Wage and Hour Division (see Employment Standards section for address and phone number).

State Minimum Wage

The state minimum wage is \$4.25 per hour. Most employees in the state over age 15 are covered under the state minimum wage law. Tips cannot be used in computing the minimum wage.

For more information about the state minimum wage, contact your local Department of Labor and Industries service location, or call (206) 753-6311 in Olympia.

PREVAILING WAGES

Most federal, state, and municipal public works contracts and certain other federal contracts require that prevailing rates be paid to most non-supervisory personnel. Prevailing wages and benefits are the average wages and benefits for an industry type in a specific geographic area.

Federal Prevailing Wage

You must pay prevailing wages and benefits to your employees if you have public works contracts exceeding \$2,000 using federal funds or federal service contracts exceeding \$2,500. These prevailing wages and benefits are included in the contract documents. For more information, contact the U.S. Department of Labor (see Employment Standards section for address and phone number).

State Prevailing Wage

All public works contracts with state and local agencies require that you pay prevailing wages and benefits as determined by:

Industrial Statistician
Employment Standards Section
Department of Labor and Industries
P.O. Box 44502
Olympia, Washington 98504-4502
Telephone: (206) 753-4019

REDUCED WAGE CLASSIFICATIONS

There are few exceptions to minimum wage and prevailing wage laws. These exceptions include child/minor labor, apprentice/learners, and handicapped workers. If you plan to pay wages under these exceptions, you must obtain approval of the state Department of Labor and Industries and/or the U.S. Department of Labor.

Child/Minor Labor

You must obtain a minor work permit from the Department of Labor and Industries if you employ workers under age 18. You must maintain a parental and school authorization form for each minor you employ. Minors have certain restrictions, and there are some differences between the state and federal restrictions. Minors cannot perform hazardous work duties and they have limited working hours. Minors working in agricultural occupations may have a few different restrictions than those working in non-agricultural jobs.

The state minimum wage for minors 16 or 17 years old is \$4.25 per hour. The minimum wage for minors under 16 is \$3.61 (85 percent of the adult rate). The federal minimum wage for minors is \$4.25 per hour, the same as for adults.

Apprentices/Learners

Apprentices, learners and student learners may receive 75 to 85 percent of minimum wage. If you plan to pay less than minimum wage, you must obtain approval from the U.S. Department of Labor, Wage and Hour Division, and/or the state Department of Labor and Industries, Employment Standards Section, as appropriate.

Handicapped

Both federal and state law provide for certificates of employment for handicapped workers at less than

minimum rates, subject to the approval of the U.S. Department of Labor and/or the state Department of Labor and Industries. The rate to be paid is set by the certificate and is designed to reflect the person's working capacity.

OVERTIME PAY

You must pay overtime at not less than one and a half times the regular rate of pay for hours worked over 40 hours per week.

Salaried executive, administrative, and professional employees, and outside salespersons are exempt from overtime laws. Other exemptions include seamen and agricultural workers.

Check with the state Department of Labor and Industries for additional information on overtime pay and exemptions.

INDUSTRIAL HEALTH AND SAFETY REGULATIONS

The state Department of Labor and Industries establishes and enforces standards related to the health and safety of employees. This responsibility was included in the 1973 Washington Industrial Safety and Health Act (WISHA), which set standards for safe and healthful workplaces for employees.

The Department of Labor and Industries provides free consultations to interpret the safety codes that affect your business operation. Free educational services and training programs are available to help pinpoint and eliminate causes of injury and illness. The Department also performs periodic inspections to ensure that established standards are being met. Under WISHA, you must keep records of all job-related injuries and illnesses.

In addition, you must provide employees with information about hazardous substances to which they are exposed, as required by the Worker Right to Know law.

For more information on health and safety rules or a free copy of the pamphlet, *A Guide to WISHA*, contact your local Labor and Industries field office, or the main office at:

Division of Industrial Safety and Health
Department of Labor and Industries
P.O. Box 44600
Olympia, Washington 98504-4600
Toll-free: 1-800-423-7233

STATE TAXES

FILING TAX RETURNS and PAYMENTS

Based on your estimated tax liability, the Department of Revenue will assign you a monthly, quarterly, or annual reporting frequency.

The Department of Revenue will mail the necessary tax forms to you approximately 20 days before your taxes are due. If you did not conduct business during the reporting period, simply write "No Business" on the form and return it to the Department of Revenue. This will eliminate any delinquency follow-up procedures.

STATE EXCISE TAXES

Business and Occupation (B&O) Tax

This is a tax for the act or privilege of engaging in business activities. The tax is charged on gross sales, gross receipts, or gross income of the business. The tax rate depends upon the type of business activity.

Allowable Deductions – Some of the most common deductions are:

- Interstate sales (not for manufacturers)
- Credit losses
- Federal and state motor vehicle fuel taxes
- Various aspects of agricultural production
- Cash discounts
- Initiation fees, dues, contributions, donations, and tuition fees

Exemptions – You do not need to pay B&O tax if your gross receipts for a reporting period are less than \$1,000 per month, \$3,000 per quarter, or \$12,000 per year, depending on your reporting frequency.

Exemptions are also allowed for:

- Products sold at wholesale by the farmer who raised the products
- Agricultural fairs, horse races, and athletic exhibitions
- Gross proceeds from the lease, rental, or sale of real estate

Retail Sales Tax

The state retail sales tax rate is 6.5 percent. You should collect the tax at the time of sale and send it to the Department of Revenue with your B&O tax. The retail sales tax is charged on:

- ❑ Retail sales – final sales to consumers of tangible personal property;
- ❑ Rentals or leases of tangible personal property – such as equipment, machinery, and charges made for lodging and related services; and
- ❑ Charges for certain services – such as constructing, installing, repairing, improving, cleaning, or decorating real or personal property for others; automobile towing and parking; fees for certain amusement and recreation businesses; abstract, title insurance, escrow, and credit bureau services; and long distance and non-residential telephone service.

You do not charge retail sales tax for food products that will be prepared and consumed away from the purchase site. This exemption applies only to food products normally eaten by humans.

Deductions and exemptions are also allowed for casual sales, newspapers, prescription drugs, certain types of sales to non-residents, gasoline and diesel on which the state fuel tax has been paid, and raw materials which become part of a finished product.

Local governments impose sales taxes ranging from 0.5 to 1.7 percent. Local sales taxes are collected at the same time the state sales tax is collected.

Use Tax

In general, the use tax applies to the use of any tangible personal property when retail sales tax was not paid at the time of the sale, purchase, or manufacture of the property. The state use tax is 6.5 percent of the value of the article.

Local governments impose use taxes ranging from 0.5 to 1.7 percent. Local use taxes are paid at the same time the state use tax is paid.

Litter Tax

Manufacturers, wholesalers, and retailers of certain products must pay a .015 percent litter tax on gross sales of these products. Products subjects to this tax are :

- Food for humans or pets
- Groceries
- Cigarettes and tobacco products
- Soft drinks and carbonated waters
- Beer and other malt beverages
- Wine
- Newspapers and magazines
- Household paper and paper products
- Glass containers
- Metal containers

- Plastic or fiber containers made of synthetic material
- Cleaning agents and toiletries
- Non-drug drugstore sundry products

The tax is limited to sales within this state and is paid on the last state excise tax return of the calendar year.

Public Utility Taxes

Utilities and common carriers pay the state public utility tax instead of B&O tax. This tax varies from 1.926 to 5.029 percent of gross income with certain deductions. Businesses that pay this tax include:

- Water distribution
- Sewer collection
- Power, railroad, express, car companies
- Gas distribution, telegraph
- Motor transportation
- Urban transportation (vessels under 65 feet)
- Other public service businesses

If your business is subject to this tax, you do not have to pay the public utility tax for any reporting period in which your taxable gross income is less than \$500 per month.

Insurance Premiums Tax

This tax is administered by the Office of the Insurance Commissioner.

Instead of state B&O tax, insurance companies pay a premiums tax on the net premium they receive. The rates are 1.16 percent for in-state insurers, 2.16 percent for out-of-state insurers, and 0.91 percent for ocean marine and foreign trade insurers. These businesses must also pay a 4 percent surtax. Title insurance, health contracts, and fraternal benefit societies do not pay this tax.

Forest Excise Tax

The forest excise tax of 5 percent applies to all timber harvested on federal, state or private land. The tax is based on the value of standing timber at the time of harvest, which is determined by the timber species and harvest conditions.

Leasehold Excise Tax

You must pay a 12.84 percent tax on the rents you pay if you lease publicly owned property such as public port property, public grazing lands, tidelands, recreational property, or public industrial property. This tax does not apply for leases of less than one month, annual taxable rents of less than \$250, and certain leases on Indian lands.

Motor Vehicle Related Taxes

An annual motor vehicle tax of 2.654 percent is collected by the Department of Licensing. The tax is based on values shown in depreciation schedules.

Gasoline, diesel and other special fuels are subject to a state excise tax of 22 cents per gallon.

Propane used as a motor fuel is exempt from the state special fuel tax. Instead, you must pay an additional annual license fee at the time the vehicle is licensed, and purchases of propane are subject to the retail sales or use tax.

Cigarette Tax

If you wholesale or distribute cigarettes, you must pay the cigarette tax of 34 cents for each package of 20 cigarettes. Payment of this tax is made through the purchase of stamps from the Department of Revenue or its authorized agent.

Tobacco Tax

If you import tobacco products other than cigarettes, you must pay the tobacco tax. This tax is 64.9 percent of the wholesale price.

Real Estate Excise Tax

A tax of 1.28 percent applies to all sales of real property. The tax is generally paid by the seller to the County Treasurer, acting as an agent for the Department of Revenue. In addition, local real estate excise taxes of .025 percent or 0.1525 percent may apply.

FOR MORE INFORMATION

For more information, call the Department of Revenue's Tax Information line at 1-800-647-7706 (in state) or 1-800-233-6349 (out of state).

FEDERAL REQUIREMENTS AND TAXES

13

FEDERAL REQUIREMENTS

U.S. INTERNAL REVENUE SERVICE

If you are an employer, you must obtain a federal **Employer Identification Number (EIN)** from the U.S. Internal Revenue Service (IRS). There are also special cases when the EIN is required even though your business may not be hiring employees. For more information, or to obtain the EIN application form, call 1-800-829-1040.

Information about employer-employee relationships, taxable wages, the treatment of special types of employment and payments, and related matters are covered in the free IRS booklet, Publication 15 (*Circular E*). You may obtain this publication from the Internal Revenue Service by calling 1-800-829-3676.

The IRS provides a free packet of publications and forms for those starting a business called Publication 454 (*Your Business Tax Kit*). The IRS also provides training classes for business operators on a free or low-cost basis. Call 1-800-829-3676 to request Publication 454. To obtain a current training class schedule, call 1-800-829-1040 or (206) 553-4230.

EMPLOYMENT FORMS

If you have employees, you must obtain an Employee's Withholding Allowance Certificate (W-4) and an Employment Eligibility Verification form (I-9) from each employee. The W-4 form is available from the IRS by calling 1-800-829-3676; the I-9 form is obtained from the Immigration and Naturalization Service (INS) by calling (206) 553-5956.

U.S. FEDERAL INFORMATION CENTER

Located in Maryland, the Federal Information Center acts as an information and referral center for the federal government. To determine if your business operation will be affected by federal regulations, call 1-800-726-4995 and they will refer you to the appropriate federal agency.

FEDERAL TAXES

SOCIAL SECURITY TAXES

Nearly all employees, employers, and self-employed persons are required to participate in the Social Security program. You must withhold a fixed percentage of your employees' wages, match each employee's Social Security contribution, and make periodic deposits to the IRS. Self-employed persons are also required to make contributions. *Accurate records are essential.*

The contribution rate for 1992 is:

Employee:	6.20% of first \$55,501 for Social Security 1.45% of first \$130,200 for Medicare
Employer:	6.20% of first \$55,501 for Social Security 1.45% of first \$130,200 for Medicare
Self-Employed:	12.40% of first \$55,501 for Social Security 2.90% of first \$130,200 for Medicare

For more information, call 1-800-772-1213.

FEDERAL BUSINESS TAXES

For a brief overview of federal taxes, see the **Federal Tax Check List** on page 14. If you have questions concerning federal taxes, call the U.S. Internal Revenue Service at 1-800-829-1040 (general information) or 1-800-829-3676 (forms).

FEDERAL TAX CHECK LIST

If you:	You may be liable for:	You should use form:
Do business as a:		
Corporation, association, etc.	Income tax	1120 or 1120A
Corporation electing not to be taxed	Information return	1120S
	Income tax	1040
Partnership	Information return	1065
	Income tax	1040
Sole proprietor (or partner)	Estimated tax	1040ES
	Self-employment tax	1040SE
Employ:		
1 or more persons	Income tax withholding	941
	FICA taxes	941, 942 (home), 943 (farming)
	FUTA tax	940
	For deposits	8109
Furnish facilities for:		
Local and toll telephone service and teletypewriter exchange service	Excise tax	720
Transportation of persons or property by air	Excise tax	720
Issue:		
Insurance policies (purchased from a foreign insurer)	Excise tax	720
Maintain for use:		
Punchboards	Occupational tax	11-C
	Wagering tax	730
Manufacture, produce or import:		
Beer	Excise tax	5000.24
Cigars, cigarettes, cigarette papers or tubes	Excise tax	5000.24
Distilled spirits	Excise tax	5000.24
	Occupational tax	5630.5
	Manufacturers excise tax	720
Firearms	Transport of firearms	ATF-5
	Manufacturer of combat firearms	1 (Firearms)
	Manufacturer of sports firearms	ATF-7
	Manufacturers excise tax	720
	Manufacturers excise tax	720
	Manufacturers excise tax	720 and 5630.5
	Occupational tax	720
	Occupational tax	5630.5
	Manufacturers excise tax	720
	Occupational tax	5630.5
	Manufacturers excise tax	720
	Excise tax	5000.24
Operate a:		
Brewery	Occupational tax	5630.5
Truck, truck-tractor, or bus on a highway	Federal use tax	2290
Wagering pool, lottery, or otherwise accept wagers	Occupational tax	11-C
	Wagering tax	730
	Occupational tax	5630.5
Wholesale liquor dealership	Occupational tax	5630.5
Sell at retail:		
Diesel and special fuels (including aviation fuels)	Retailers excise tax	720
Distilled spirits, wines, or beer	Occupational tax	5630.5
Sell firearms:		
Retail and wholesale under National Firearms Act of 1968	Occupational tax	5630.5
Transfer:		
Firearms	Stamp tax	ATF-5

SOURCE: Internal Revenue Service

LOCAL REQUIREMENTS AND TAXES

15

LOCAL REQUIREMENTS

The licensing requirements of cities and counties vary throughout the state. Once you have decided where your business will be conducted, you should contact the appropriate offices discussed below.

BUSINESS LICENSES

To determine if a local business license is required, contact Business License Services at (206) 753-4401.

ZONING REGULATIONS

Contact the planning department of the city or county where your business will be located. They will determine whether the business site meets the appropriate zoning requirements.

BUILDING PERMITS

Most communities in the state require that you obtain a permit to construct permanent buildings or additions to existing facilities. Permits are issued after your building plans have been approved by either the city or county building department. For local codes, ordinances, and other building requirements, contact the building department of the city or county involved.

FOOD ESTABLISHMENTS

All businesses involved in the sale of food must be inspected by the county health department. This ensures that restaurants, grocery stores, food vending machines, and related businesses meet and maintain sanitary standards.

COUNTY PERSONAL PROPERTY ASSESSMENT

You must report your business personal property to the assessor of the county in which your business is located. For tax purposes, **personal property** means assets which are used in the operation of a business. One characteristic of personal property is that it is movable—you can move it around at will.

Personal property includes, but is not limited to, items such as furniture, office equipment and machines, manufacturing machinery and equipment, construction and logging equipment, and some kinds of mobile equipment. It also include supplies that do not become an ingredient or part of an article being manufactured or

produced for sale, and supplies which are used in the course of doing business. Floating homes, boat sheds, and other floating structures are also considered personal property.

You should contact the appropriate county assessor's office when you begin your business. The phone number for your assessor's office can be found under the county listing in the white or blue pages of your telephone directory.

LOCAL TAXES

MUNICIPAL BUSINESS TAXES

Washington cities are authorized to tax private businesses and municipal and private utility companies within their boundaries. There are four main types of general business taxes:

- A percentage of gross receipts, usually at rates ranging from .05 to .2 percent.
- Fixed fees for particular types of businesses.
- Fees based on the number of employees.
- Fees based on the square footage occupied by the firm.

In addition, nearly one-half of the cities and towns charge public utility taxes or franchise fees. Rates generally range from 2 to 6 percent.

To find out if your city charges business taxes, contact the city clerk's office in the city where your business is located.

PROPERTY TAX

Property taxes are the main source of county government tax revenue. They apply to both real and personal property. **Real property** includes land, buildings, structures, and/or improvements, as well as rights and privileges belonging to the land. **Personal property** includes those items described in the County Personal Property Assessment section. In Washington State, both types of property must be assessed and taxed at the same rate, unless exempted.

Several exemptions are allowed. These include government-owned property, certain types of intangibles (stocks, bonds, bank accounts), business inventories, certain property of nonprofit organizations, household goods, and a portion of senior citizen or disabled

homeowner's residential property. Contact your county assessor's office for information regarding your real and personal property reporting requirements and exemptions for which you may be eligible.

Your property taxes are determined by the sum of regular and special levies. With the exception of port and public utility district levies, the total of all regular levies (those not voted upon by the taxpayer) legally cannot exceed one percent of the value of your property. In other words, the maximum levy rate cannot exceed \$10 per \$1,000 of property value. In addition, total regular levies cannot increase more than 6 percent per year plus new construction.

Annual special levies for construction or maintenance and operations require approval of 60 percent of the voters. Most special levies are for public school maintenance and operations. Special levies are also used for fire, sewer, water, and irrigation facilities; libraries; and other purposes.

Except for certain open space, timber, and farm lands, taxable real and personal property must be assessed at 100 percent of its true value. However, since most property is not revaluated annually, the assessed value may be less than the actual value. For instance, the average property assessment statewide in 1992 is 85.1 percent of actual value.

The average statewide total levy rate for 1992 is \$13.25 per \$1,000 of assessed value (\$0.01325 per \$1 of assessed value).

The effective property tax rate in terms of market value is obtained by multiplying the total levy rate by the prior year property assessment percentage. For 1992, the average effective rate is 1.13 percent ($.01325 \times .851 = 1.13$ percent). Contact your county assessor's office for more information on levies.

LOCAL SALES and USE TAX

Counties and incorporated cities and towns are authorized to charge local sales and use tax of 0.5 to 1.1 percent. All areas in the state impose this tax. In addition, voters may authorize a sales and use tax of up to 0.6 percent for public transportation systems. These taxes are collected with the state sales and use tax.

Combined state and local sales and use taxes throughout the state now range from 7.0 to 8.2 percent. For the rate applicable in your area, contact the Department of Revenue.



APPENDIX E

MONTANA SMALL BUSINESS LICENSING COORDINATION ACT

History: En. Sec. 5, Ch. 615, L. 1985.

30-14-1112. Limitations on remedies. (1) A consumer may not bring an action under 30-14-1111 after the date on which his obligations in connection with the agreement are scheduled to be finally performed.

(2) No seller, lessor, or lender is liable under 30-14-1111 if a good faith attempt is made to comply with requirements of 30-14-1103.

(3) Noncompliance with the requirements of 30-14-1103 does not make a consumer transaction void or voidable if it is otherwise legal, nor may a consumer raise noncompliance as a defense to an obligation to perform in connection with the transaction.

(4) In a class action brought under 30-14-1111, the seller, lessor, or lender is liable under 30-14-1111 for not more than \$10,000 plus actual damages.

(5) In any individual transaction, if there is more than one consumer who is party to a single-consumer contract, only one award of statutory damages may be made for that transaction.

(6) No consumer may bring an action under this part on a contract if the consumer was represented at the signing of the contract by an attorney.

(7) Punitive damages may not be assessed in an action brought under this part.

History: En. Sec. 6, Ch. 615, L. 1985.

30-14-1113. Remedies cumulative — waiver void. (1) Nothing in this part precludes a consumer from making any claim or raising any defense that would have been available to the consumer if this part were not in effect.

(2) A consumer may not waive the rights provided by this part, and any such waiver is void.

History: En. Sec. 7, Ch. 615, L. 1985.

Cross-References
Contracts which violate public policy of the law, 28-2-702.

What conditions void, 28-2-707.

CHAPTER 15 FOREIGN-TRADE ZONES

Part 1 — General Provisions

- 30-15-101. Authority to establish, operate, and maintain a foreign-trade zone.
30-15-102. Exemption from state licensing requirements and regulations.
30-15-103. Jurisdiction of state.
30-15-104. Taxation of corporations operating foreign-trade zones and their goods.

Part 1 General Provisions

30-15-101. Authority to establish, operate, and maintain a foreign-trade zone. (1) The state of Montana, a local government unit, or a private or public corporation organized in Montana for the purpose of operating a foreign-trade zone in Montana may apply for the right to and, if the right is

granted, establish, operate, and maintain a foreign-trade zone under 19 USC 81a through 19 USC 81u.

(2) The governing body of a local government unit may contract with a private or public corporation to operate and maintain a foreign-trade zone that the local government unit has been granted the right to establish, operate, and maintain.

(3) Any activity authorized by the United States to be conducted within a foreign-trade zone may be conducted within a foreign-trade zone operated by a local government unit or Montana corporation under this section.

History: En. Sec. 1, Ch. 674, L. 1979.

30-15-102. Exemption from state licensing requirements and regulations. Goods may be held within a foreign-trade zone exclusive of any license, permit, or regulation of the state or any political subdivision of the state. Such goods may be sold or traded subject to the laws of the United States.

History: En. Sec. 2, Ch. 674, L. 1979.

Cross-References
Licensing — discrimination based on nationality prohibited, 49-3-204.

30-15-103. Jurisdiction of state. The state of Montana reserves jurisdiction in a foreign-trade zone in all civil and criminal matters except those related to customs, diversity suits with the requisite amount in controversy, or suits involving a federal question.

History: En. Sec. 3, Ch. 674, L. 1979.

30-15-104. Taxation of corporations operating foreign-trade zones and their goods. Private or public corporations operating foreign-trade zones are subject to all taxes imposed upon them under the provisions of Title 15.

History: En. Sec. 4, Ch. 674, L. 1979; amd. Sec. 3, Ch. 101, L. 1985.

Cross-References
Corporation license or income tax, Title 15, ch. 31.

CHAPTER 16 SMALL BUSINESS LICENSING COORDINATION

Part 1 — General Provisions

- 30-16-101. Short title
30-16-102. Purpose
30-16-103. Definitions.

Part 2 — Licensing Coordination Center

- 30-16-201. Designation of small business licensing coordination center — duties of center.
30-16-202. Information availability.
30-16-203. New licenses, permits, or modifications.
30-16-204. Authority to issue licenses.

Part 1 General Provisions

30-16-101. Short title. This chapter may be cited as the "Montana Small Business Licensing Coordination Act".

History: En. Sec. 1, Ch. 453, L. 1981.

30-16-102. Purpose. The purposes of this chapter are to:

- (1) eliminate licensing requirements, administrative procedures, and forms that are unnecessary for the protection of the public interest;
- (2) streamline and minimize the total government and business costs of necessary licensing and inspection procedures;
- (3) distribute equitably the costs of licensing; and
- (4) provide a convenient, accessible, and timely system for the business community to acquire and maintain the necessary state registrations and licenses to conduct business.

History: En. Sec. 2, Ch. 453, L. 1981; amd. Sec. 1, Ch. 744, L. 1991.

30-16-103. Definitions. As used in this chapter, the following definitions apply:

(1) "Department" means the department of commerce established in 2-15-1801.

(2) "License" means the whole or part of any agency permit, license, certificate, approval, registration, or charter or any form or permission required by law or administrative rule to engage in any retail, wholesale, consumer service, manufacturing, or distributing activity. "License" does not include licenses, permits, or registrations issued under Title 30, chapter 10, parts 1 through 3, Title 33, Title 37, Title 75, and Title 80, which are excluded from the coverage of this chapter.

(3) "Person" means an individual, sole proprietorship, partnership, association, cooperative, corporation, nonprofit organization, state or local government agency, or any other organization required to register with the state to do business in Montana and to obtain one or more licenses from the state or any of its agencies.

History: En. Sec. 3, Ch. 453, L. 1981; amd. Sec. 2, Ch. 744, L. 1991.

Part 2 Licensing Coordination Center

30-16-201. Designation of small business licensing coordination center — duties of center. The department shall administer a small business licensing coordination center. The small business licensing coordination center shall:

- (1) document and analyze current licensing requirements, fees, and procedures;
- (2) recommend elimination of unnecessary licensing requirements, administrative procedures, or forms or parts of forms that can be eliminated in the public interest;
- (3) recommend efficient and effective improvements in the administration and enforcement of licensing laws, including gathering of information that facilitates the development of a permanent master license certificate;

(4) recommend revisions in the license fee structure to distribute the cost of licenses equitably and to provide financing for continuing improvements in licensing administration and enforcement;

(5) develop and upon request distribute information concerning state requirements for starting and operating a business in Montana;

(6) provide assistance to business enterprises to facilitate their compliance with state licensing requirements;

(7) maintain a supply of license and permit forms or applications for all licenses and actively assist the business community in answering application questions;

(8) maintain a master list of the business types existing in the state and a corresponding list of the licenses or permits needed to operate or start that type of business;

(9) maintain a copy of the Administrative Rules of Montana in order to provide an applicant with the basic rules of any agency with regard to licensing;

(10) encourage agencies to provide informational brochures through the center, especially in the case of complex licensing procedures;

(11) maintain contact with licensing agencies in order to enable the center to assist an applicant with setting up appointments or otherwise facilitate the application process;

(12) perform other administrative tasks delegated to the center to improve state business license administration; and

(13) on January 4, 1993, present a report to the legislature containing its analysis and recommendations as required in subsections (1) through (4).

History: En. Sec. 4, Ch. 453, L. 1981; amd. Sec. 3, Ch. 744, L. 1991.

Cross-References

State employees — not to assist person in obtaining license for a fee, 2-2-121.

"Agency action" — includes issuing license, 2-3-102.

"Licenses" defined, 2-4-102.

Licenses — administrative procedure, 2-4-631.

Purpose of agency evaluation, 2-8-101.

Licensing — within quasi-judicial function, 2-15-102.

City Courts — jurisdiction for collection of license fee of city, 3-11-103.

Delegation of authority — includes licensing, 5-4-403.

Ferries — establishment and license tax, Title 7, ch. 14, part 28.

License for street railroad, 7-14-4303.

General county licensing authority, Title 7, ch. 21, part 21.

Licensing of itinerant vendors, Title 7, ch. 21, part 23.

Licensing of transient retail merchants, Title 7, ch. 21, part 24.

Licensing of hucksters, Title 7, ch. 21, part 25.

Municipal licensing authority, Title 7, ch. 21, part 41.

Regulation of certain activities, 7-21-4201.
Licensing and regulating vehicles engaged in transporting persons and property, 7-21-4205.

Suspension of license fees for persons in military service, 10-1-605.

State Tax Appeal Board — appeals regarding business licenses, 15-2-201.

Freight line company license tax, Title 15, ch. 55, part 1.

License tax on producers and importers of gypsum and cement, 15-59-102.

License tax on sales of cement and byproducts, 15-59-201.

License and security of gasoline distributors, 15-70-202.

License to sell gasoline on which refund may be claimed, 15-70-203.

Special fuel dealer's license, 15-70-302.

Beer and wine licenses, Title 16, ch. 4, part 1.

All-beverages licenses, Title 16, ch. 4, part 2.

Special alcoholic beverage licenses, Title 16, ch. 4, part 3.

Cigarette licenses, 16-11-120.

Licensing textbook dealers, 20-7-604.

Race meet licensing, 23-4-201.

Card games — licensing by local governing bodies, 23-5-321.
 Auctions — licensing powers of cities and towns, 30-11-516.
 Licensing of weighing devices, 30-12-203.
 Foreign-trade zone — exemption from state licensing requirements, 30-15-102.
 Employment agency licensing, Title 39, ch. 5, part 2.
 Foster home licensing, 41-3-1141.
 Licensing nondiscrimination, 49-3-204.
 Emergency medical service licensing, 50-6-306.
 Fire protection equipment — licensing, 50-39-101.
 Food establishments — licensing, Title 50, ch. 50, part 2.
 Hotel and motel licensing, Title 50, ch. 51, part 2.
 Tourist campground and trailer court licensing, Title 50, ch. 52, part 2.
 Day-care center licensing, 52-2-721.

30-16-202. Information availability. The small business licensing coordination center shall encourage and invite federal and local government agencies to make license and permit information available to applicants through the coordination center. The center shall, where possible, advise applicants of federal and local government agency license and permit requirements.

History: En. Sec. 7, Ch. 453, L. 1981.

Cross-References

Ferries — establishment and license tax, Title 7, ch. 14, part 28.
 License for street railroad, 7-14-4303.
 General county licensing authority, Title 7, ch. 21, part 21.
 Licensing of itinerant vendors, Title 7, ch. 21, part 23.
 Licensing of transient retail merchants, Title 7, ch. 21, part 24.

30-16-203. New licenses, permits, or modifications. Each state agency shall report to the coordination center any new license or permit or modification of an existing license or permit that becomes effective as a requirement after April 20, 1981, together with the applicable forms and pertinent rules and information.

History: En. Sec. 8, Ch. 453, L. 1981.

30-16-204. Authority to issue licenses. Regardless of any authority delegated to the department to implement the provisions of this chapter, the authority to issue a license remains with the agency authorized by law to issue the license.

History: En. Sec. 4, Ch. 744, L. 1991.

Adult foster family care licensure, 52-3-303.
 Aeronautics licensing, Title 67, ch. 3.
 Portable sawmill license, 76-13-502.
 Slaughterhouse license, 81-9-201.
 Licensing of rendering or disposal plants, 81-9-301.
 Hide dealer or buyer's license fee, 81-9-411.
 Egg dealer's and egg grader's license, 81-20-201.
 Licensing of milk plants and dairies selling milk or cream for public consumption, 81-21-102.
 License required to operate manufactured dairy products plant, 81-22-201.
 License required for milk or cream route, 81-22-204.
 Milk — licenses to producers, producer-distributors, distributors, and jobbers, 81-23-201.
 Petroleum dealer licenses, 82-15-105.
 Wharves and docks licenses, 85-16-101.

Licensing of hucksters, Title 7, ch. 21, part 25.
 Municipal licensing authority, Title 7, ch. 21, part 41.
 Regulation of certain activities, 7-21-4201.
 Licensing and regulating vehicles engaged in transporting persons and property, 7-21-4205.

TITLE 31

CREDIT TRANSACTIONS AND RELATIONSHIPS

Ch.
 1. Credit Transactions.
 2. Debtor and Creditor Relationships.
 3. Related Credit Practices.

CHAPTER 1

CREDIT TRANSACTIONS

Part 1 — Loans of Money—Interest Rates

31-1-101. Loan of money — what constitutes.
 31-1-102. Loan to be repaid in current money.
 31-1-103. Loan presumed to be on interest.
 31-1-104. Interest defined.
 31-1-105. Annual rate.
 31-1-106. Legal interest.
 31-1-107. Interest rate allowed by agreement.
 31-1-108. Penalty for usury — action to recover excessive interest.
 31-1-109. When interest becomes part of principal.
 31-1-110. Renumbered 25-9-205 by Code Commissioner, 1979.
 31-1-111. Definition of regulated lender.
 31-1-112. Interest rate limitation exemption — regulated lenders — merchant finance.
 31-1-113. Limitation of rule of 78ths.

Part 2 — Retail Installment Sales

31-1-201. Short title.
 31-1-202. Definitions.
 31-1-203. Penalties.
 31-1-204. Waiver.
 31-1-205 through 31-1-210 reserved.
 31-1-211. Powers of department.
 31-1-212. Investigations and complaints.
 31-1-213 through 31-1-220 reserved.
 31-1-221. Licensing of sales finance companies required.
 31-1-222. Denial, suspension, or revocation of licenses.
 31-1-223 through 31-1-230 reserved.
 31-1-231. Requirements of retail installment contracts.
 31-1-232. Buyer's right of rescission.
 31-1-233. Insurance.
 31-1-234. Transfer of equity — fee.
 31-1-235. Delinquency fee.
 31-1-236. Notice and receipt of payment.
 31-1-237 through 31-1-240 reserved.
 31-1-241. Finance charge limitation.
 31-1-242. Refunds on prepayment.
 31-1-243. Refinancing retail installment contract.

Part 3 — Wage Brokers

31-1-301. Wage brokers to procure license and give bond.
 31-1-302. Issuance of license — terms and amount thereof.
 31-1-303. Wage broker defined.

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