



Tax and Licensing Code Updates

STUDY SESSION – October 14, 2025

City Staff Representative:
Department:

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Finance

Purpose

To provide City Council with recommended updates to the tax and licensing code that will ensure consistency and allow for more flexibility to better serve the business community.

Sales Tax Code Updates

- Clarify conflicting code sections regarding excess tax collection
- Propose removal of vendor fee credit
 - Currently, taxpayers who file on time and pay electronically are allowed to deduct a maximum of \$25 per return as a fee for their part in tax collection and remittance.
 - The State is removing the vendor fee for state returns with the passage of HB25B-1005. Many jurisdictions are aligning with this approach.
 - If removed, the City will collect full amount of sales tax due without the \$25 deduction.

Use tax code updates

- Provide flexibility to charge use tax on permits based on a percentage of valuation other than 50%
 - Use tax is charged based on 50% of the estimated project valuation at the time of permit issuance and may be reconciled to actual costs upon project completion.
 - Allowing for different percentages can help refine accuracy of estimated tax payments as staff could adjust the percentage for various development types based on history.
 - Percentage would be set based on development type and defined in a policy proposed by Finance and approved by the City Manager.
- Clarify that all businesses are to pay use tax at the time of permit issuance.
 - Alternative methods require significant additional tracking, verification and follow-up for both the City and the taxpayer.

Telephone Utility Company Occupation Tax

- Propose removal of this tax
 - Antiquated language put in place in the 1970's when landlines were common.
 - Current code requires charge of \$4 per year, payable monthly. This results in numerous small dollar checks paid to the City.
 - Current revenue from this tax is less than \$2,000 per year.
 - Requires compliance from taxpayers and collection efforts for minimal tax revenue.

Licensing Code Updates

- Update to outdoor vendor licenses
 - Clarify procedures for revocation or suspension consistent with other licenses.
- Remove requirement for separate kennel license
 - Kennel business required to have business license.
 - Must have State Department of Agriculture Pet Animal Care Facilities Act (PACFA) license.
- Add licensing requirements for massage businesses
 - Required by state law.
 - Additional requirements including criminal background checks.
- Additional updates for clarity and flow of information

Questions

