

POULSBO DISTRIBUTION SCHEDULE

ORDINANCE NO. 2025-14

SUBJECT: Business License Updates

CONFORM AS TO DATES & SIGNATURES

- ☒ Filed with the City Clerk: 08/07/2025
- ☒ Passed by the City Council: 08/20/2025
- ☒ Signature of Mayor
- ☒ Signature of City Clerk
- ☒ Publication: 08/25/2025
- ☒ Effective: 01/01/2026
- ☐ Recorded: _____

DISTRIBUTED COPIES AS FOLLOWS:

- ☒ Kitsap Sun: 08/21/2025
- ☒ Code Publishing
- ☒ City Attorney
- ☒ Clerk's Department:
- ☐ City Council
- ☐ Finance:
- ☒ Posted to Library Drive and Website
- ☒ Posted to Laserfiche
- ☐ Scanned and Tossed: _____
- ☒ Electronically Created Document (No Hard Copy Exists)
- ☐ _____

Kati Diehl
Deputy City Clerk

08/21/2025
Date

ORDINANCE NO. 2025-14

AN ORDINANCE OF THE CITY OF POULSBO, WASHINGTON, RELATING TO BUSINESS LICENSE REQUIREMENTS AND AMENDING SUBSECTION 5.04.020.E OF THE POULSBO MUNICIPAL CODE TO INCORPORATE STATE MANDATED CHANGES TO INCREASE THE THRESHOLD FOR BUSINESSES TO RECEIVE FEE-FREE LICENSES, AND NUMBER OF DAYS A TEMPORARY BUSINESS LICENSES IS VALID; AND AMENDING SECTION 3.12.040.D OF THE POULSBO MUNICIPAL CODE TO REFLECT FEE-FREE BUSINESS LICENSES FOR BUSINESSES THAT DO NOT MEET THE MINIMUM THRESHOLD AND NON-PROFIT BUSINESSES; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, pursuant to Chapter 35.90 RCW, the City of Poulsbo ("City") partners with the Department of Revenue's Business Licensing Services ("BLS") to issue and renew business licenses; and

WHEREAS, pursuant to RCW 35.90.080-.090, cities that impose a general business license are required to adopt the mandatory provisions of the state model ordinance; and

WHEREAS, the 2018 model ordinance included a \$2000 threshold for out-of-city businesses, with the option to require a no-fee registration only requirement below the threshold.; and

WHEREAS, the Poulsbo City Council adopted no-fee registrations for both out-of-city and in-city businesses that did not meet a threshold of \$2000; and

WHEREAS, an update to the model ordinance is required for 2026 to increase the threshold to \$4000 and include an automatic periodic increase based on cumulative inflation for every four years thereafter; and

WHEREAS, current BLS partner cities must adopt updated language by mid-October (RCW 35.90.070), and provide notification to BLS in order to maintain its business licensing program on January 1, 2026; and

WHEREAS, the City Council finds that approval of the updated model business license threshold is in the best interest of the City, as it is necessary to ensure continued compliance with state business license requirements.

**THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON, DO ORDAIN
AS FOLLOWS:**

Section 1. Subsection 5.04.020(E) of the Poulsbo Municipal Code are hereby amended to read as follows (strikethroughs indicate deletions, underlining indicates additions):

5.04.020 Required – Exceptions.

E. For purposes of the license required by this chapter, any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the city is equal to or less than ~~two thousand dollars~~ four thousand dollars, shall submit a business license registration application to the Director or designee and shall not engage in business in the City until a business license is issued,, but such licensees shall not be required to pay the ordinarily applicable business license fee. The fee-exemption threshold provided by this section does not apply to regulatory license requirements or activities that require a specialized permit.

1. Beginning January 1, 2026, the threshold amount is four thousand dollars. The threshold amount will be adjusted every forty-eight months on January 1, by an amount equal to the increase in the Consumer Price Index ("CPI") for "West Urban, All Urban Consumers" (CPI-U) for

each twelve-month period ending on June 30 as published by the United States Department of Labor Bureau of Labor Statistics or successor agency. To calculate this adjustment, the current rate will be multiplied by one plus the cumulative four-year (forty-eight month) CPI increase using each twelve-month period ending on June 30 of each prior year, and rounded to the nearest one hundred dollars. However, if any of the annual CPI increases are more than five percent, a five percent increase will be used in computing the annual basis and if any of the annual CPI decreased during the forty-eight-month period, a zero percent increase will be used in computing the annual basis.

Section 2. Section 3.12.040.D of the Poulsbo Municipal Code is hereby amended as follows (strikethroughs indicate deletions, underlining indicates additions):

D. Business License Fee – Late Payment – Prorated Out of Town Renewals

1. The fee for the initial application for an annual business license shall be sixty-five dollars and the master license service handling fee to be submitted with the application. Businesses whose annual value of products, gross proceeds of sales, or gross income of the business in the city is equal to or less than the current threshold established in PMC 5.04.020 ~~\$2,000~~ shall be no fee or \$0. The fee for a non-profit business shall be no fee or \$0.

2. The fee for renewal of the business license shall be sixty-five dollars and the master license service handling fee per year to be received by the State Department of Revenue on or before the expiration date as determined by the State of Washington Department of Revenue.

3. If any license issued under this chapter is not renewed by the date of expiration, the Business Licensing Service may assess the late renewal fee authorized by RCW 19.02.085 in addition to the license fees due for renewal.

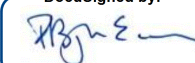
4. The fee for a temporary license, of a period not to exceed fourteen calendar days within any three consecutive months, shall be twenty dollars and may not be renewed during that calendar year.

Section 3. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 4. Corrections. Upon authorization of the City Attorney, The City Clerk and codifiers of this Ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener/clerical errors, references, ordinance numbering, and section and/or subsection numbers for the purposes of codification and any other references thereto.

Section 5. Effective Date. This ordinance shall take effect and be in full force on January 1, 2026.

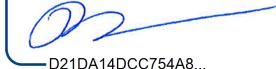
APPROVED:

DocuSigned by:

77AA4B38C18A4BA

MAYOR, BECKY ERICKSON

ATTEST/AUTHENTICATED:

DocuSigned by:



D21DA14DCC754A8...

CITY CLERK, RHIANNON FERNANDEZ CMC

APPROVED AS TO FORM:

OFFICE OF CITY ATTORNEY:

Signed by:



BY:

833D0DC77F3647E...

FILED WITH THE CITY CLERK: 08/07/2025

PASSED BY THE CITY COUNCIL: 08/20/2025

PUBLISHED: 08/25/2025

EFFECTIVE DATE: 01/01/2026

ORDINANCE NO. 2025-14

SUMMARY OF ORDINANCE NO. 2025-14
of the City of Poulsbo, Washington

On the 20th day of August 2025, the City Council of the City of Poulsbo, passed Ordinance No. 2025-14. A summary of the content of said ordinance, consisting of the title, provides as follows:

AN ORDINANCE OF THE CITY OF POULSBO, WASHINGTON, RELATING TO BUSINESS LICENSE REQUIREMENTS AND AMENDING SUBSECTION 5.04.020.E OF THE POULSBO MUNICIPAL CODE TO INCORPORATE STATE MANDATED CHANGES TO INCREASE THE THRESHOLD FOR BUSINESSES TO RECEIVE FEE-FREE LICENSES, AND NUMBER OF DAYS A TEMPORARY BUSINESS LICENSES IS VALID; AND AMENDING SECTION 3.12.040.D OF THE POULSBO MUNICIPAL CODE TO REFLECT FEE-FREE BUSINESS LICENSES FOR BUSINESSES THAT DO NOT MEET THE MINIMUM THRESHOLD AND NON-PROFIT BUSINESSES; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

The full text of this Ordinance will be mailed upon request.

DATED this 20th day of August, 2025.

CITY CLERK, RHIANNON FERNANDEZ



2026 City Business License Model Threshold update

Effective January 1, 2026

What are the main changes to the model threshold?

The main change in the update would make a one-time increase to a higher threshold to \$4000 for out-of-city businesses from the current \$2,000 threshold, effective January 1, 2026.

Other changes include:

- Every four years thereafter, the threshold would have an automatic periodic increase based on cumulative inflation.
- The rates of inflation would be calculated using the Consumer Price Index-U (CPI-U) Western for June of each year compared to the previous year for the previous four years.
- The rate of inflation would be calculated as zero in any year in which inflation was negative and capped at 5% per year or 20% over four years if inflation exceeded those amounts.
- To make the threshold easier to administer, the cumulative inflation amount would be rounded to the nearest \$100.

Could my city still require a no fee registration for out-of-city businesses below the threshold?

Cities retain the local option of requiring a no-fee registration for out-of-city businesses below the threshold.

Was the definition of “engaging in business” changed?

No, the definition of engaging in business has not changed since the 2018 model was adopted.

What are the deadlines for all cities with business licenses to adopt the 2026 model threshold?

Cities with a business license **must** adopt the model by **January 1, 2026**.

However, cities that currently partner with the state’s Business Licensing Service (BLS) for business licensing administration must adopt it by mid-October 2025, because they must **provide BLS 75-day notice** of any changes to their business licenses, including this mandatory change.

What if my city has a higher threshold?

Cities can choose to enact a higher threshold. The \$4,000 city threshold for out-of-city businesses is the minimum level that every city must enact.

What if my city wants to have a threshold that applies to in-city businesses in addition to the out-of-city business threshold?

The \$4,000 threshold level for out-of-city businesses is a mandatory minimum threshold that every city business license city must adopt, but the law does not impact the city’s authority to have exemptions or other thresholds.

Cities can continue to require a license for businesses located in the city without regard to the threshold (unless the city chose to exempt these businesses).

Cities can also choose to enact a separate threshold exemption that applies to in-city businesses.

Who should my city notify when the model is adopted?

BLS partner cities: Send a completed Change Request Form to BLS notifying them of the update
All other cities: Email Sheila Gall, AWC (sheilag@awcnet.org) so we can track updates.

How will businesses find out about the changes?

Consider providing information on changes to your business license by adding information to your license renewal letter, sending a letter to your potentially impacted businesses, updating information on your city’s website or presenting to your local chamber.

Background on the 2018 model threshold

In the 2017 session, EHB 2005 (RCW 35.90) passed requiring three actions by cities with business licenses and local B&O taxes. The law required cities to make changes to business licensing, including requiring cities with business licenses to establish a workgroup to create a model business license threshold by July 2018 for adoption by all business license cities by January 1, 2019.

**2018 model ordinance for local business licenses
– minimum threshold**

The 2018 model included a mandatory definition of “engaging in business” and a \$2000 minimum threshold (or occasional sale) exemption to establish when out-of-town or transient businesses are required to be licensed. All business license cities adopted the model by January 1, 2019 (RCW 35.90.080).

Contact

Sheila Gall

General Counsel

sheilag@awcnet.org

wacities.org