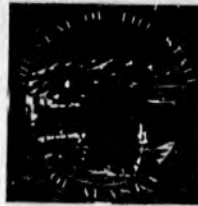


SCOMM

136:7

Representative Jay Ramras
Co-Chair, House Resources
Co-Chair, Economic Develop.
Tourism & Trade
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Alaska State Legislature



While in Session
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House District 10

House of Representatives

SPONSOR STATEMENT

HB 416

House Bill 416 will return growth of small business back to the small business owner and potential future owners by returning the licensing fees back to \$25 per year. Several years ago the administration was looking for ways to cover budget deficits and one of the proposals included raising business license fees.

The decision to raise those fees has had a negative effect on small business growth in the state as many small struggling, or new idea businesses are closely counting every penny. They either chose to pay the fee, which is actually \$200 as licenses are issued for two years at a time, ignore it and operate illegally, or give up the idea all together.

Alaska, like the rest of the country needs to promote the development and growth of small business and let these potential entrepreneurs know we as a state welcome them and want them to succeed. A regressive license fee is not accomplishing this and the repeal language in HB 416 will once again say we are opened for business.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 416
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Business License Fee RDU Corp, Bus & Prof Licensing (117)
 Component Corp, Bus & Prof Licensing
 Sponsor Ramras
 Requester Economic Development Trade & Tourism Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1175)	(4,275.0)	(4,275.0)	(4,275.0)	(4,275.0)	(4,275.0)	(4,275.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1156 - Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal: ☒ X

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 416 reduces the Business License fees to FY 2003 costs of \$25 per year. This is estimated to result in a loss of nearly \$4.275 million. The division anticipates revenues realized to be close to the FY 2003 revenues of \$2.1 million.

Prepared by: Rick Urion, Director Phone (907) 465-2538
 Division Corporations, Business and Professional Licensing Date/Time 2/13/06 3:12 PM
 Approved by: William C. Noll, Commissioner Date 2/13/2006
 Agency Commerce, Community, and Economic Development

LEGISLATIVE RESEARCH REPORT

FEBRUARY 13, 2006



REPORT NUMBER 06.134

BUSINESS LICENSE FEES IN OTHER STATES

PREPARED FOR REPRESENTATIVE JAY RAMRAS

BY ROGER WITHINGTON, LEGISLATIVE ANALYST

You asked for information on business license fees. Specifically, you wished to know how the business license fee in Alaska compares to that in other states.

As you may know, the Alaska business license fee is set forth in AS 43.70.030. The law was enacted in 1949, and has been amended nine times.¹ Section (a) of the law, which establishes the fee rate, however, remained nearly unchanged until 2003, when the Twenty-third Legislature passed HB 162, which raised the annual fee from \$25 to \$100 for most business owners.² According to the U.S. Small Business Administration, most states and many cities and counties impose license and permitting fees on a wide variety of businesses.³ Unfortunately, very few states use a universal flat fee structure, such as Alaska's, to determine their business license fee. The Alaska Department of Commerce, Community, and Economic Development (DCCED) constructed the following summary of business license schema used by states.⁴

- ♦ **Type of Ownership:** Many states make licensing distinctions based on the ownership structure of the business. Examples of ownership structures include sole proprietorships, partnerships, limited liability companies, limited liability partnerships, non-profits, corporations, foreign corporations, associations, and trusts. Licensing fees, and the tax structure, vary depending on the ownership organization of the business.

¹ The law originated and was amended as follows: § 5 ch 43 SLA 1949; am § 1 ch 128 SLA 1955; am § 1 ch 101 SLA 1960; am § 1 ch 68 SLA 1973; am § 1 ch 50 SLA 1975; am § 3 ch 144 SLA 1978; am § 1 ch 98 SLA 1984; am § 72 ch 14 SLA 1987; am § 8 ch 45 SLA 1988; am § 2 ch 47 SLA 2003.

² Business licenses for sole proprietors aged 65 or older are \$50 annually.

³ The URL for the U.S. Small Business Administration (SBA) is http://www.sba.gov/starting_business/index.html. The SBA provides a link to the business licensing entity for each state at <http://www.sba.gov/hotlist/license.html>.

⁴ The Department of Commerce, Community, and Economic Development's summary should not be considered exhaustive.

- ♦ **Category of Business:** Some states require licensing fees specific to particular businesses. In other words, the business license fee for an accounting business may differ from the fee charged for a restaurant.
- ♦ **Size of Business:** Some states scale their license fees, and tax schedules, based on the business size (often measured by the number of employees).
- ♦ **Additional Charges:** States may also charge filing fees, priority filing fees, first time filing fees, foreign company filing fees, franchise filing fees, and/or additional per store location charges. Some require the filing of annual reports and business registration reports. The DCCED notes that all of these "additional costs" are charged on top of the business license fee.

Unfortunately, we could not locate a summary of business license fees charged by each state. In Table 1, however, we provide the business license fees we obtained from the websites of a sample of eleven states. Please keep in mind we found that many states provided confusing and vague information regarding business licensing; we urge caution when interpreting the information found in Table 1.

Table 1: State Business License Fee for Selected States

State	Annual Fees
Colorado	Variable depending on business; base fees are \$8-\$16.
Delaware	Variable depending on the type of business; \$75 annual is typical.
District of Columbia	\$0 to \$2,392 depending on the business.
Florida	Variable depending on business category.
Idaho	\$25 to \$ 125 depending on the type of business.
Indiana	Indiana does not have any one single, comprehensive business license.
Kentucky	Kentucky has over 600 businesses that require licenses from various agencies at the state level. Fees are unique to each business. There are also businesses for which there are no state license requirements.
Montana	\$20 to \$ 70 depending on the business type.
Nevada	\$100 - license must be renewed annually.
New Jersey	A fee of \$125 for all profit businesses and \$75.00 for non-profits must be submitted at the time of filing. Additional fees may apply when the business registers for tax purposes. Additional occupational fees may apply.
Oregon	\$100
Washington	Application fee of 15 must be submitted with each application. Specialty licenses may require additional fees.
West Virginia	\$30, with some exceptions.
Wyoming	Entities pay a license tax based on all assets located and employed in Wyoming. The tax is \$50, or two-tenths of one mill on the dollar (\$.0002), whichever is greater.
Sources:	Colorado: http://www.revenue.state.co.us/TPS_Dir/wrap.asp?incl=businesses Delaware: http://www.state.de.us/revenue/services/Business_Tax/Step3.shtml District of Columbia: http://www.dcrd.dc.gov/dcrd/site/default.asp Florida: http://www.stateoflouisiana.com/Portal/DesktopDefault.aspx?tabid=8 Idaho: http://www.idsos.state.id.us/corp/corindex.htm Indiana: http://www.state.in.us/sic/owners/ia.html Kentucky: http://www.thinkkentucky.com/kyedc/ebpermits.asp Montana: http://www.mt.gov/revenue/programsandservices/onestop.asp Nevada: http://tax.state.nv.us/schedule.htm New Jersey: http://www.state.nj.us/treasury/revenue/busform1.htm Oregon: http://www.filinginoregon.com Washington: http://www.dol.wa.gov/businesses.htm West Virginia: http://www.state.wv.us/taxrev/busreg.html Wyoming: http://soswy.state.wy.us/corporat/corporat.htm

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

Sec. 43.70.030. Levy and computation of license fee.

Statute text

- (a) The fee for each business license is \$100 per year, except that the fee is \$50 if
- (1) the business is a sole proprietorship; and
 - (2) the sole proprietor is 65 years of age or older when the sole proprietor applies for the license or will reach 65 years of age at any time during the year for which the license is issued.
- (b) [Repealed, § 1 ch 98 SLA 1984.]
- (c) The license for the privilege of taking orders through use of catalogs and by mail order offices in the state is the same as set out in this chapter for business generally.
- (d) [Repealed, § 72 ch 14 SLA 1987.]

History

(§ 5 ch 43 SLA 1949; am § 1 ch 128 SLA 1955; am § 1 ch 101 SLA 1960; am § 1 ch 68 SLA 1973; am § 1 ch 50 SLA 1975; am § 3 ch 144 SLA 1978; am § 1 ch 98 SLA 1984; am § 72 ch 14 SLA 1987; am § 8 ch 45 SLA 1988; am § 2 ch 47 SLA 2003)

Annotations

Cross references. For provisions relating to the manner of payment of the license fee, see regulations adopted under AS 08.01.065(d) and AS 43.70.090.

Administrative Code. - For application requirements and licensing, see 12 AAC 12, art. 1.

Effect of amendments. The 2003 amendment, effective September 4, 2003, in subsection (a), increased the license fee from \$25 to \$100, added "except that the fee is \$50 if" at the end of the introductory language, added paragraphs (1) and (2), and made stylistic changes.

Legislative history reports. For governor's transmittal letter relating to business license fee increases proposed by ch. 47, SLA 2003 (HB 162), see 2003 House Journal 433.

NOTES TO DECISIONS

Local business license fee ordinance not prohibited by state law. - The municipality could properly pass a local business license fee ordinance because there is no language in state law prohibiting a municipality from charging a fee for a business license. *McCormick v. City of Dillingham*, 16 P.3d 735 (Alaska 2001).

Former law construed. - For cases construing former subsection (a), rewritten in 1978, see *Northern Adjusters, Inc. v. Department of Revenue*, 627 P.2d 205 (Alaska 1981) [adjusters not "insurance business"]; *State, Dep't of Revenue v. Northern TV, Inc.* 670 P.2d 367 (Alaska 1983) [gross receipts]; *Green Constr. Co. v. State, Dep't of Revenue*, 674 P.2d 260 (Alaska 1983) [gross receipts]; *State, Dep't of Revenue v. Alaska Pulp Am., Inc.* 674 P.2d 268 (Alaska 1983) [gross receipts]; *Williams v. BP Alaska Exploration, Inc.* 677 P.2d 236 (Alaska 1983) [gross receipts]; *Alyeska Pipeline Serv. Co. v. Williams*, 687 P.2d 323 (Alaska 1984) [validity of assessments].

For cases construing former subsection (b), repealed in 1984, see *National Bank v. State, Dep't of Revenue*, 642 P.2d 811 (Alaska 1982) [state bonds]; *National Bank v. State, Dep't of Revenue*, 769 P.2d 990 (Alaska 1989) [federal obligations].

Article 1

Application Requirements and Licensing

Section

- 10. Business license fees.
- 20. Business license.
- 30. Application for business license.
- 40. Term of business license; license renewal.
- 50. Changes in business license.
- 12 AAC 12.010. Business license fees

Statute text

(a) The fee for a business license, for all or part of the initial

(1) annual license period, is \$100 if a person seeks an annual license, except that the fee is \$50 if the person seeks an annual license for which the fee is reduced under AS 43.70.030(a)(1) - (2); or

(2) biennial license person, is \$200 if a person seeks a biennial license, except that the fee is \$100 if the person seeks a biennial license for which the fee is reduced under AS 43.70.030(a)(1) - (2).

(b) The business license renewal fee is \$100 if a person seeks to renew for the next annual license period, or \$200 if a person seeks to renew for the next biennial license period, except that the business license renewal fee is \$50 if the person seeks to renew, for the next annual license period, a license for which the fee is reduced under AS 43.70.030(a)(1) - (2), or \$100 if the person seeks to renew, for the next biennial license period, a license for which the fee is reduced under AS 43.70.030(a)(1) - (2). Notwithstanding 12 AAC 02.020 and 12 AAC 02.030, the department will not prorate the first license renewal fee for a business license following initial licensure.

(c) The fee for written confirmation of a current business license or a business license that is renewable under 12 AAC 02.040(c) is \$1 for each name for which confirmation is requested. The department will waive the fee under this subsection for a request for a written confirmation of three or fewer business licenses, per day, per requester.

(d) The fee under AS 43.70.075 for a business license endorsement or for the renewal of an endorsement is \$100 for each location or outlet in a location where the person offers tobacco products for sale, regardless of whether the business license to which each endorsement is attached is annual or biennial.

History

History: Eff. 3/11/89, Register 109; am 11/4/98, Register 148; am 6/27/04, Register 170

Annotations

Authority: AS 08.01.010

AS 08.01.065

AS 08.01.100

AS 43.70.020

AS 43.70.030

AS 43.70.075

AS 43.70.090

12 AAC 12.020. Business license

Statute text

- (a) A separate business license is required for each line of business in which the applicant seeks to engage in the state.
- (b) An independent contractor must have a business license separate from the person to whom the contractor provides goods or services.
- (c) A business that receives revenue for the performance of contracts with the state, its political subdivisions, or the federal government is not exempt from the business licensing requirements of AS 43.70 and this chapter.
- (d) Upon proper application, as described in 12 AAC 12.030, the department will issue a business license to a business that is exempt from business licensing requirements under AS 43.70.105.
- (e) If a business license applicant has applied for licensure as a hearing aid dealer under AS 08.55.010 and 12 AAC 02 and is approved for licensure as a hearing aid dealer, the department will issue the business license at the same time and in the same name as the hearing aid dealer license.
- (f) A request for written or oral confirmation of more than three business licenses per day, per requester, must be made in writing.
- (g) In advertising and operating, a business license holder must use the business name that appears on the business license.

(h) A business license holder is authorized to conduct business activities only within the line of business specified on the business license.

(i) The business license or a photocopy of the business license must be displayed in a conspicuous location at each business establishment.

History

History: Eff. 11/4/98, Register 148

Annotations

Authority: AS 08.55.010

AS 43.70.020

AS 43.70.090

AS 43.70.105

AS 43.70.110

12 AAC 12.030. Application for business license

Statute text

An applicant for a business license shall submit the business license fee specified in 12 AAC 12.010 and a completed application on a form provided by the department. To be complete, a business license application must include

- (1) the business name;
- (2) the line of business to be conducted;
- (3) the names of the persons engaging in the business;
- (4) the mailing address and physical address of the principal place of business;
- (5) information regarding other licenses or permits, if applicable;
- (6) a statement as to whether the business will sell tobacco products as a retailer and the physical address of each outlet or location where tobacco products will be sold;

(7) the name of the natural person completing the application on behalf of the business and that person's title or position in the business; and

(8) specification whether the applicant seeks an annual initial license, a biennial initial license, renewal for an annual license period, or renewal for a biennial license period.

History

History: Eff. 11/4/98, Register 148; am 6/27/2004, Register 170

Annotations

Authority: AS 08.01.050

AS 08.01.060

AS 08.01.080

AS 43.70.020

AS 43.70.075

AS 43.70.090

12 AAC 12.040. Term of business license; license renewal

Statute text

(a) A person may seek an annual or a biennial business license. A new business license will be assigned a renewal year by the department at the time the initial license is issued. Except as provided in (b) of this section, the initial

(1) annual license period includes the remainder of the calendar year in which the business license is issued; or

(2) biennial license period includes the remainder of the calendar year in which the business license is issued and all of the following calendar year.

(b) If the department issues an initial business license on or after October 1, the

(1) annual license period includes the remainder of the calendar year in which the business license is issued and all of the following calendar year; or

(2) biennial license period includes the remainder of the calendar year in which the business license is issued and all of the following two calendar years.

(c) The department will renew a business license that has been lapsed for two years or less if the applicant for renewal of the business license pays the business license renewal fee specified in 12 AAC 12.010(b) in a manner specified by the department on the renewal application.

(d) The department will not renew a business license that has been lapsed for more than two years. The previous holder of a business license that has been lapsed for more than two years may apply for a new business license under this chapter.

History

History: Eff. 11/4/98, Register 148; am 6/27/2004, Register 170

Annotations

Authority: AS 08.01.050

AS 08.01.080

AS 08.01.100

AS 43.70.090

12 AAC 12.050. Changes in business license

Statute text

(a) A new business license under 12 AAC 12.030 is required if

(1) there is a change in the name of the business, unless the change is limited to the addition or removal of a

(A) professional title of a business owner used in the name of the business; or

(B) word describing the legal form of organization of the business and the ownership of the business has not changed;

(2) the activities of the business are no longer within the line of business specified on the business license; or

(3) there is a change in the ownership of the business.

(b) If the business license holder submits the fee specified in 12 AAC 02.105(3) along with the updated information on a form provided by the department, the department will update a business license to show a change in

(1) the business license holder's legal name;

(2) the business name as described in (a)(1)(A) or (B) of this section; or

(3) the address of the business.

(c) A business license is not transferable or assignable.

History

History: Eff. 11/4/98, Register 148

Annotations

Authority: AS 08.01.080

AS 43.70.020

AS 43.70.090

There are approximately 74,000 current Alaska business licenses. All persons (sole proprietors, partnerships, and corporations) who engage in a business activity in Alaska must hold a business license for that activity. In addition, businesses which sell tobacco products must have a tobacco endorsement on their business license.

A license is valid for two years, which consists of the current year in which the license is granted plus all of the next calendar year. Business licenses expire on December 31.



ALASKA

National Federation of Independent Business

Statement of Support for HB 416

Business License Fee Reduction

February 13, 2006

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state. The average NFIB member has fewer than 5 employees.

Many NFIB members felt the pinch of writing a \$200 check for their business licenses rather than the traditional \$50 for a two year license. Many members have more than one business license. Some members are employees of larger companies and have a small business on the side to help ends meet.

The legislation introduced by the Governor in 2003 to increase the fees was adopted when every state department was asked to find ways to raise revenue to help with the budget deficit. We are in a different situation now. A return of the fee to \$25 per year will be a welcome action for small entrepreneurs. NFIB/Alaska asks for your support of this legislation.

Vote YES on House Bill 416

Submitted by Thyes Shaub on behalf of NFIB/Alaska.