City of Seattle

Multi-City Business License & Tax Portal Research Project Report

November, 2012

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Introduction

Background

In the last two years, the State of Washington and Governor Gregoire have asked the legislature to simplify the filing and payment of city business and occupation taxes (B&O) by having the Department of Revenue assume responsibility for their administration. Cities that currently collect local B&O taxes, and the Association of Washington Cities, believe it would stifle local economic development, reduce services to local businesses and make paying taxes more complicated.

While the state has been exploring the idea of assuming local B&O tax collection the cities of Bellingham, Bellevue, Everett, Seattle and Tacoma have completed a feasibility study and are in the design phase of an online business tool that will spur economic development, increase convenience and protect vital city services that businesses depend on. Called the Multi-City Business License & Tax Portal, this new tool will make it faster and easier to apply for a business license, as well as calculate and pay local B&O taxes across all the participating cities. A signature feature of the portal will be the ease of only having to enter basic information once, not separately for each city.

The most important component of the Portal is its ease of use by local businesses. To that end, the five partner cities which represent 90 percent of the local B&O taxes collected in Washington committed to soliciting feedback from business owners, CFOs, accountants and city finance staff to make certain the new Portal would meet their needs.

Research Methodology and Research Objectives

Reaching a large number of employers and staff throughout the Puget Sound area would have been prohibitive using traditional, in-person focus groups. As an alternative, online focus groups or "Bulletin Board Focus Groups" provided by industry leader, iTracks, were recommended to reach more than just eight to 10 employers in each session and offered participants the chance to give online feedback at a time that worked for them.

Three sessions were developed out of discussions with the City of Seattle. The first two included employers and accountants representing all sizes of business in the cities of Bellevue, Bellingham, Everett, Seattle and Tacoma. The third session included staff (mostly Finance Directors, Finance managers, City Administrators or Mayors) from cities that currently collect local B&O taxes and some that do not.

In advance of being contacted by iTracks, potential participants received an email from an organization they are affiliated with explaining the purpose of the research, a definition of BBFG's and encouragement to participate in the project. Participants were compensated $100 if they completed questions on each day of the three-day session. Incentives are customary and this amount is in line with what would be offered to participate in a two-hour in-person focus group. For Group 1, 29 people were recruited and 24 completed the three-day session. For Group 2, 23 people were recruited and 20 completed the three-day session. For Group 3, 15 were recruited and 14 completed the three-day session. Other details regarding each session are provided in Table 1.

Alison Peters of Alison Peters Consulting acted as moderator of each three-day session. In advance of each session, she worked collaboratively with her partners on the Multi-City Business License & Tax Portal project to develop a Moderator Guide. On each day, participants could log on to the iTracks site, access was granted starting at 12 a.m., and answer the questions assigned for that day. Approximately 10-12 questions were presented per day, including closed and open-ended questions. On the third day, images of the proposed Portal were shown to participants. Participants were encouraged to mark-up the images with their comments about how easy, or difficult, the Portal was to navigate. Images used during the focus groups are shown in the Key Findings along with the participant reactions and comments from each exercise.

Table 1: Research Methods Summary

Group Name	Date of Session	Number of Participants Completing Study/Recruited	Source of Participants
Group 1: Businesses	Jul. 31-Aug 2	24/29	Seattle Metro Chamber of Commerce Membership
Group 2: Businesses	Sept. 10-12	20/23	Businesses from the City of Seattle's database doing business in at least four of the five cities
Group 3: City Finance Directors, Mayors and other Finance staff	Oct. 23-25	14/15	Association of WA Cities

On each day, different research objectives were identified. For the employer groups, our research objectives included efforts to:

- Assess employers' experience paying taxes each month and applying for business licenses;
- Assess employers' awareness of their business classification and deductions they qualify for;
- Identify early interest and concerns regarding the Multi-City Business License & Tax Portal;
- Identify benefits and drawbacks to integration with the State B&O Tax Portal;
- Determine how important each of the proposed requirements are for the Multi-City Business License &Tax Portal; *and*
- Collect feedback and suggestions on design of the landing pages for the Multi-City Business License & Tax Portal and local business registration.

For the third session with city staff, our research objectives also included efforts to:

- Learn what systems are used by cities to collect tax and license data;
- Assess cities' awareness with the Multi-City Business License & Tax Portal project;
- Identify early interest and concerns regarding their participation in the Multi-City Business License & Tax Portal; *and*
- Collect feedback and suggestions on design of the landing pages for the Multi-City Business License & Tax Portal and local business registration.

About Alison Peters

Alison Peters is the founder and Principal Researcher of Alison Peters Consulting, a Northwest-based public opinion research firm serving the region's key decision makers and organizations. After founding the firm in 2002, Alison has advised dozens of leaders from government, business, and the nonprofit community on the current trends in public opinion. Now, she partners with some of the state's leading communications and change management strategists to incorporate her research findings to guide organizations through transition and organizational development.

About iTracks

iTracks creates the premier software tools for online research. Founded in 1996, we were one of the very first companies to conduct a focus group online. It was over an AOL dialup connection in a New York City hotel room. Over the last decade, they've conducted over 16,000 qualitative market research sessions across all kinds of different industries and topics. iTracks, engineered and built by researchers, is an award-winning company of about 50 people locally owned and operated in Saskatoon, Saskatchewan, Canada. Today, they serve 28 of the largest 50 market research firms in the world and will complete more than 2,500 online focus groups this year.

Executive Summary

The purpose of this Executive Summary and the Key Findings is to share the insights and recommendations provided by businesses and city staff who participated in the three online focus groups conducted in the summer and fall of 2012. This report identifies the strengths and weaknesses of current tax and licensing systems being used in several cities across Washington State, identifies areas needing attention and reform, and presents participants' feedback on various elements of the proposed Multi-City Business License & Tax Portal.

Assessment of the current systems

Businesses think the current systems for paying taxes and filing business licenses (renewals and registrations) takes too long. 62 percent say they spend the majority of their time filling out paper forms manually.

Awareness of this project among city government staff

Almost half of city staff participants have heard "some" about the Multi-City Business License & Tax Portal project and another 20 percent have heard "a great deal" about it (total 67%). The remaining 33 percent have heard the name only or nothing at all. The Association of Washington Cities was cited by 80 percent of staff as a source of current information. In addition, roughly 25 percent said they had heard about the project from one of the five sponsoring cities, at a conference or from the State Department of Revenue.

Information about deductions/credits

Almost 60 percent of businesses (57%) say they have a poor or very poor understanding of why their business qualifies or does not qualify for tax credits or deductions. Along the same lines, 63 percent of businesses say they would like to see a hyperlink in the Tax Rate column to give more information about how their tax rate is calculated.

Perceived benefits of the Portal

The benefits of the Portal, including online filing, reducing the number of tax rates, offering one place to go for assistance across multiple cities and limiting the number of times tax rates can change, were very appealing to both businesses and city staff. In addition, these benefits were appealing regardless of business size or location.

Initial support for the proposed Portal

Almost 90 percent of businesses and almost 75 percent of city staff indicated a positive reaction and/or support for the proposal to develop a Multi-City Business License & Tax Portal. Business representatives responded positively to several features of the Portal including the opportunity to access telephone support with a city tax expert (i.e. a single point of contact), email communication, online chat capability and a suite of robust technical features. City government staff participants were also interested in a built-in knowledge base for users, plus peer-to-peer support.

Reaction the proposed Technical Requirements

Four of the Portal's technical requirements were universally popular. They included: printed confirmations, 24/7 online account access, auto-fill features (i.e. database memory so that information does not have to be entered multiple times) and online alerts for credits and deductions.

Bank statement confirmations for businesses paying their taxes online were not perceived to be necessary. In addition, we did not reach consensus regarding a proposed fee for businesses that opt-out of online filing.

Both city staff and businesses suggested other technical needs. These needs generally address three areas of improvement: efficiency, ease of use and accuracy. The report that follows provides the complete list of suggested features in each of these three areas.

Reaction the proposed new business license form

There is strong interest in a simple, one-page business licensing form. Participants want whatever version they currently use, depending on the city, pared back even further. Businesses are likely to provide data that can be linked to the State DOR, but there is hesitation at offering unnecessary contact information (i.e. business owner's home address or cell phone).

Reaction the proposed Portal landing page

Participants offered two critical pieces of feedback regarding the proposed landing page for the Portal. First, participants want the sections of the page they are likely to click on at the top (not towards the bottom). For example, a few people suggested rotating the "We are working collaboratively" section with the "Starting a business" sections. Second, several participants questioned the need for the Headlines and Newsfeed sections. These comments, collectively, suggest that participants want the landing page to be clean, user-friendly, and focused on function.

Next steps

Participants say decision-makers should focus on a) determining pricing for the portal (82%) and b) determining the overall timeline that includes integration with the State DOR (64%).

Conclusions

1. City government and businesses were appreciative of this research effort. They also said they want to be kept informed as progress and decisions are being made during the design phase of the Multi-City Business License & Tax Portal.

2. As a result of such a high level of interest in this project, and so many decisions left to make, it will be critical to develop several Governance teams to represent various stakeholder groups. The teams need to be meeting and communicating with each other throughout 2013 and 2014.

3. Conducting additional research (i.e. online focus groups like these, or online surveys) with city government staff and businesses should also be an ongoing priority.

4. Many of the technical requirements of the Portal were important to our research participants, but it will be important to track support for these requirements over the coming year. In addition, other design features (not tested in these focus groups) will become better understood within the coming months. These elements should also be tested with future users.

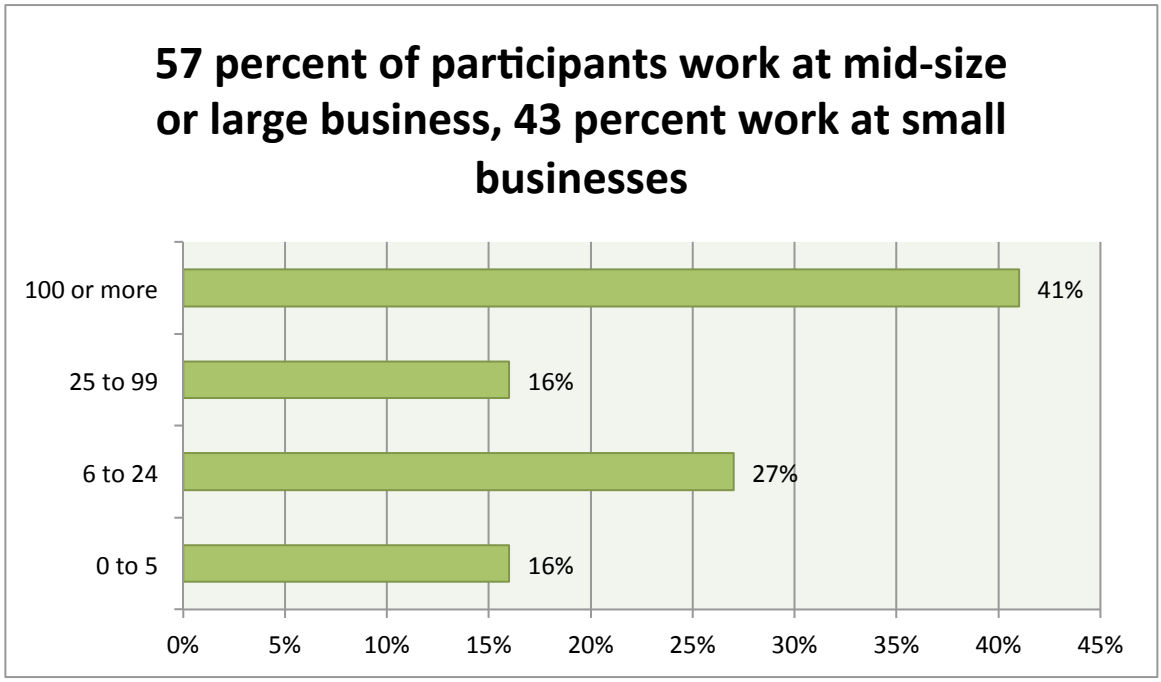
5. One of the consistent design themes has been clarity and simplicity. Businesses and city government staff want tools that are easy to use and technology that saves them time. If the Portal can present and collect information more clearly and more straightforwardly, this will be a way that users will measure its success going forward. We need to learn more about other ways users will measure the success of the Portal.

6. City government staff and businesses also want productive, continuous conversations with the State Department of Revenue around issues such as data sharing and integration. It is important to report back on progress in these areas over the coming year.

Key Findings: Day 1

In the following pages, we will present the results of the Key Findings from the three online focus groups. Charts and Tables will display summary data. We will begin by sharing a snapshot of who participated in each session. As mentioned, the first two sessions were made up of people from companies that do business in at least four of the five sponsor cities, including Bellevue, Bellingham, Everett, Seattle and Tacoma. Forty-one percent of the participants represented businesses with 100 or more employees, 43 percent represented small businesses with fewer than 25 people and 16 percent represented mid-size companies with 25 to 99 employees.

Chart 1: "How many employees work at your company?"



Source: Groups 1 and 2, N=37

In the third focus group, city staff members from 15 Washington cities were invited to share their impressions of the proposed Portal. The participating cities are shown in Table 1. This table shows that we were successful reaching out to a diverse group of staff. There are small and larger cities present, cities that collect B&O tax and many that do not and cities from Eastern Washington, Southwest Washington and around the Puget Sound.

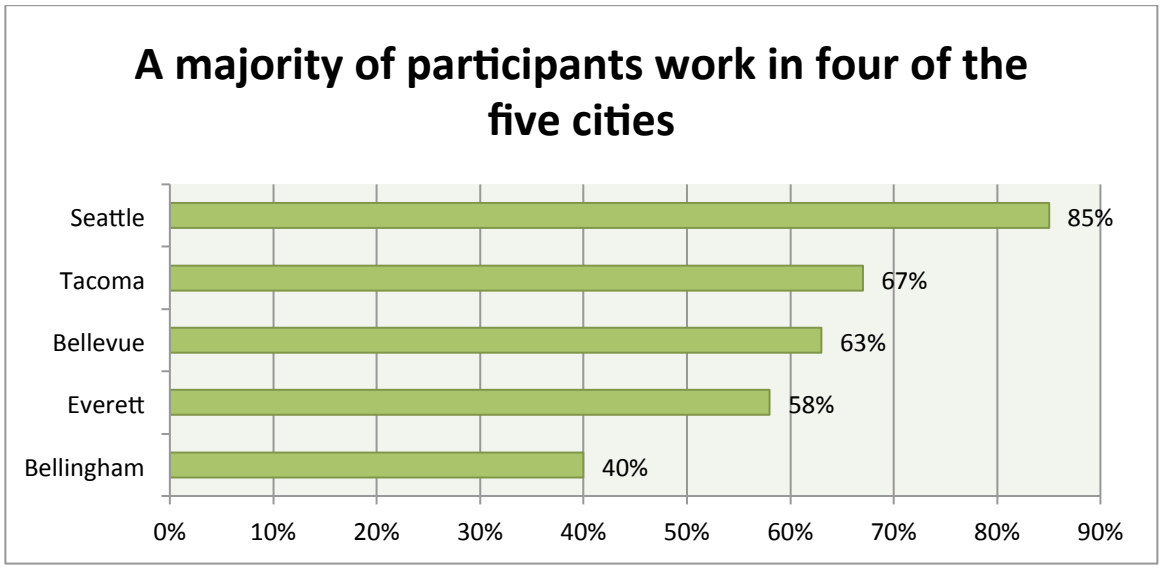
Table 2: List of participating cities in Group 3

Participant Name	Participating City	Self-Reported Volume	B&O City?
Andrea	City of Concrete	213 licenses	No
Byron	City of Pacific	135 licenses	Yes
Carrie	City of Vancouver	7,300 licenses	No
Cindy	Town of Yacolt	3022 licenses	No
Dunyele	City of Pasco	5,100 licenses	No
Evelyn	City of Kennewick	4,100 renewals and 600 new licenses	No
Jeanette	City of Bremerton	We had 700 new licenses last year and renewed 5000. Between monthly, quarterly and annual returns, we had	Yes

		10,000 total returns filed in 2011	
Jennifer	City of Washougal	628 licenses	No
Mike	City of Redmond	1,700 licenses	No
Robert	City of Shoreline	NA	No
Ruth	City of Granite Falls	249 licenses	Yes
Steve	City of Lake Forest Park		Yes
Susan	City of Wapato	253 licenses	No
Tara	City of Carnation	235 licenses	No
Troy	City of Lacey	4,000 renewals and 350-400 new licenses	Yes

Next, the chart below summarizes the responses from Groups 1 and 2. We learned that over half of the participants do business in Seattle (85%), Tacoma (67%), Bellevue (63%) and Everett (58%) with 40 percent also indicating ongoing work in the City of Bellingham. This depth of experience was important to define, as it lends tremendous credibility to the quality of responses we received.

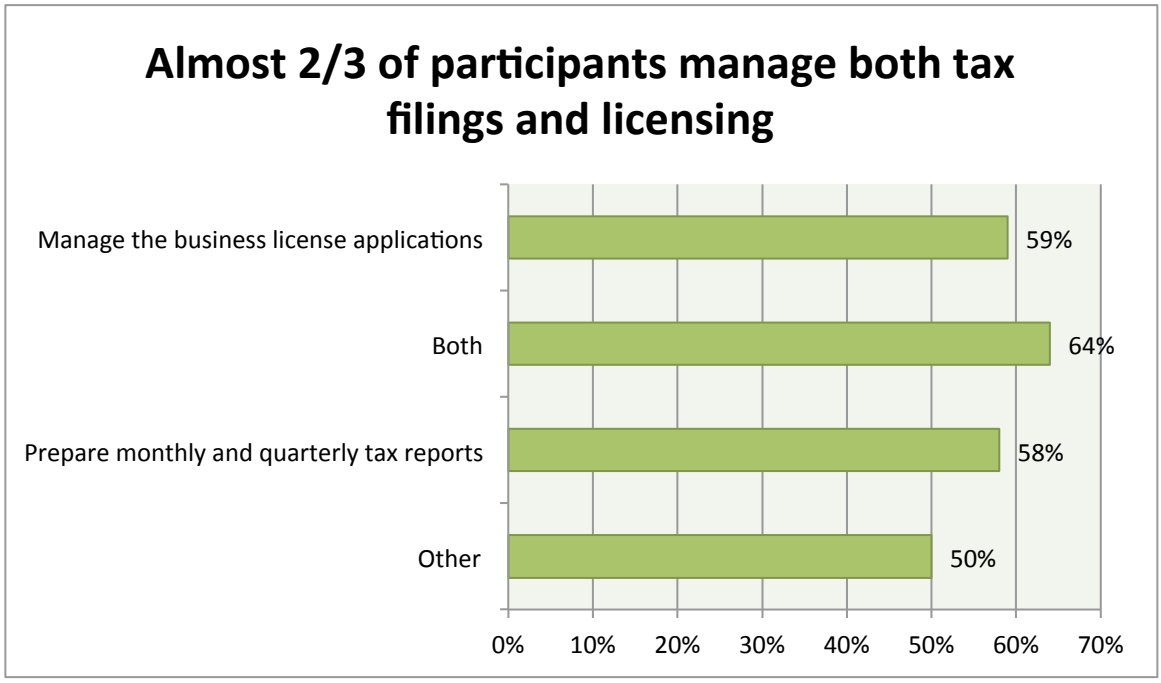
Chart 2: "Which of the following cities does your company do business in on a regular, ongoing basis?"



Source: Groups 1 and 2, N=48

Next, in each focus group, participants were asked to describe their job and how it fits within their company. The purpose of this question was to have participants reflect on their responsibilities and set them up for our next line of questions about their day-to-day tasks. A very small number of people screened out of the focus group at this point; perhaps realizing that their role was not a good fit for the line of questions we were pursuing. However, 64 percent of participants indicated that they were the primary person inside their business or city who managed both the business licensing filing as well as their company's tax reports.

Chart 3: "What exactly do you do for the business?"



Source: All Groups, N=64

Both the city staff and business participants were asked about the systems they use to manage business license and tax data. It is helpful for the sponsoring cities to know more about which systems are the market leaders, but also to know when cities are phasing their systems out in favor of upgraded packages. In Table 3, five cities (Concrete, Pacific, Yacolt, Pasco and Shoreline) indicated they use Microsoft Excel. Excel was the package mentioned the most often by the city staff who participated in Group 3. Both Microflex Tax Tools and Sungard for the Public Sector were mentioned by two cities. In all, 11 different packages were mentioned by the 15 cities.

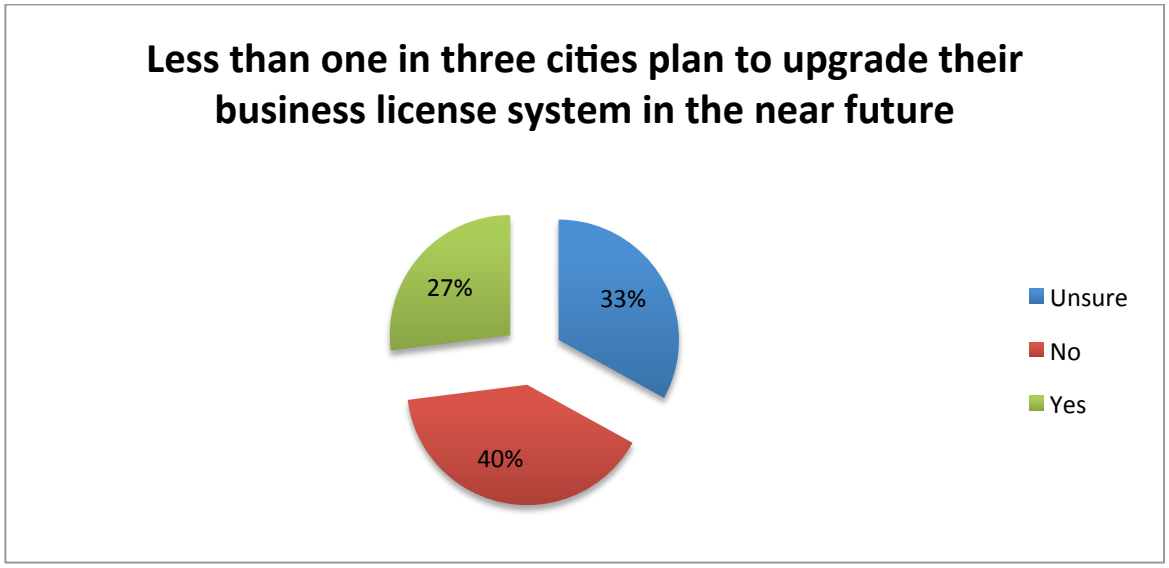
Table 3: "What type of system do you use to store your business license and tax data?" (Excel, Access, etc.)

Participating City	System(s) Used to Store Data
City of Concrete	Microsoft Excel
City of Pacific	Sungard and Microsoft Excel
City of Vancouver	Oracle Financials
Town of Yacolt	Microsoft Excel
City of Pasco	TRAK-IT and Microsoft Excel
City of Kennewick	HdL and Microsoft Excel
City of Bremerton	Taxtools from Micro flex
City of Washougal	State BLS with Micro flex
City of Redmond	Access with SQL database
City of Shoreline	Microsoft Excel
City of Granite Falls	NA
City of Lake Forest Park	Springbook
City of Wapato	Application Software Products
City of Carnation	QuickBooks
City of Lacey	Sungard Navaline

Source: Group 3, N=15

There does not appear to be a strong demand for new or upgraded software. Sixty-seven percent of city staff said they would not be upgrading in the next two years (40%) or were unsure. Only four cities, or 27 percent, said they thought an upgrade on the business license side was likely. The four cities that are looking into upgrades right now or within the near future are Redmond, Kennewick, Pasco and Pacific.

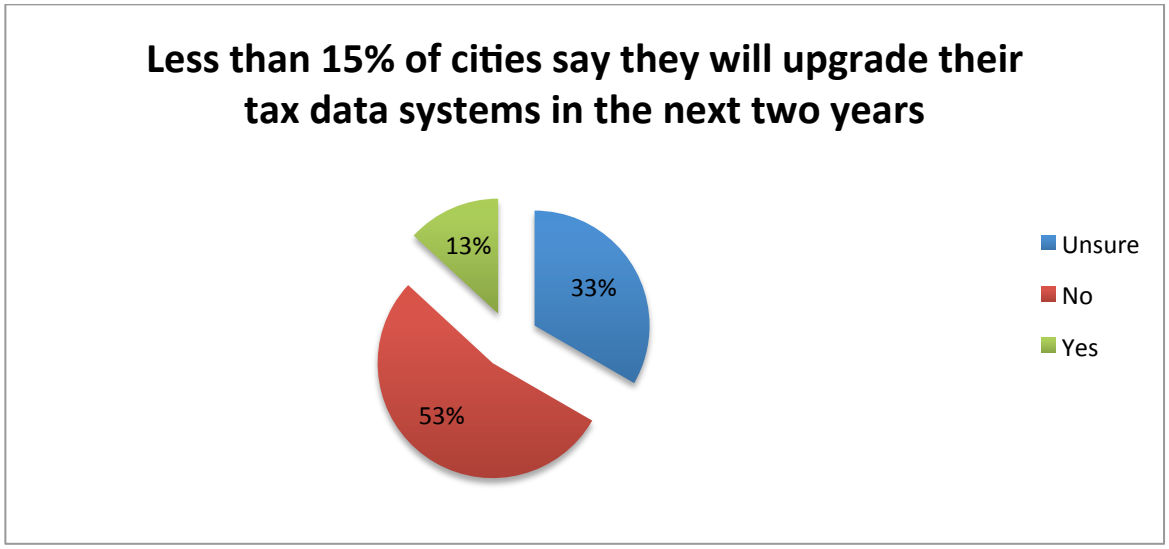
Chart 4: "In the next two years, is your city planning to upgrade the systems you use to store business license data?"



Source: Group 3, N=15

Two cities (Redmond and Pacific), or 15 percent, said they had a concurrent need to also upgrade their tax data systems.

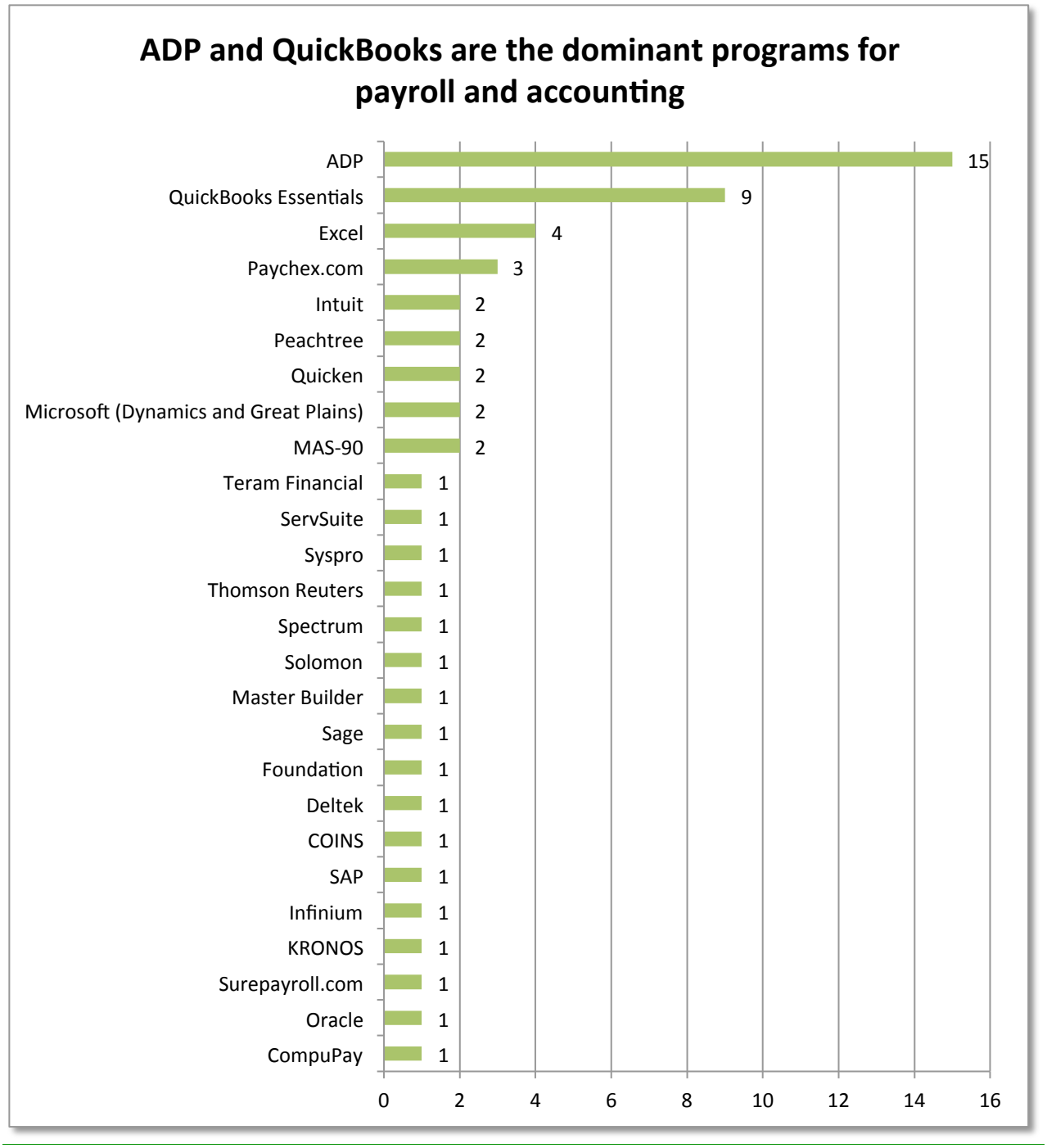
Chart 5: "In the next two years, is your city planning to upgrade the systems you use to store business tax data?"



Source: Group 3, N=15

Businesses from Groups 1 and 2 use different accounting and payroll packages compared to Washington cities. The two dominant market leaders in payroll and accounting are ADP and QuickBooks Essentials with just over 40 percent of the market.

Chart 6: "How do you calculate payroll and revenue for this business? Which software package do you use?"



Source: Groups 1 and 2, N=58

The next set of questions for Groups 1 and 2 asked participants to talk about how much time they spend on filing their monthly business taxes. Over 40 percent of participants from both groups (43%) said filing taxes they at least 20 minutes per filing. In fact, the largest segment from each group (27%), said filing can be more than 30 minutes per filing. In contrast, when asked how long they feel these exercises should take, 40 percent said "less than 15 minutes." This finding indicates a discrepancy between the experience of tax preparers and their expectations when filing reports and managing license filing and renewals.

Table 4: "How long does filing monthly or quarterly taxes take you?" and "How long should filing monthly or quarterly taxes take you?"

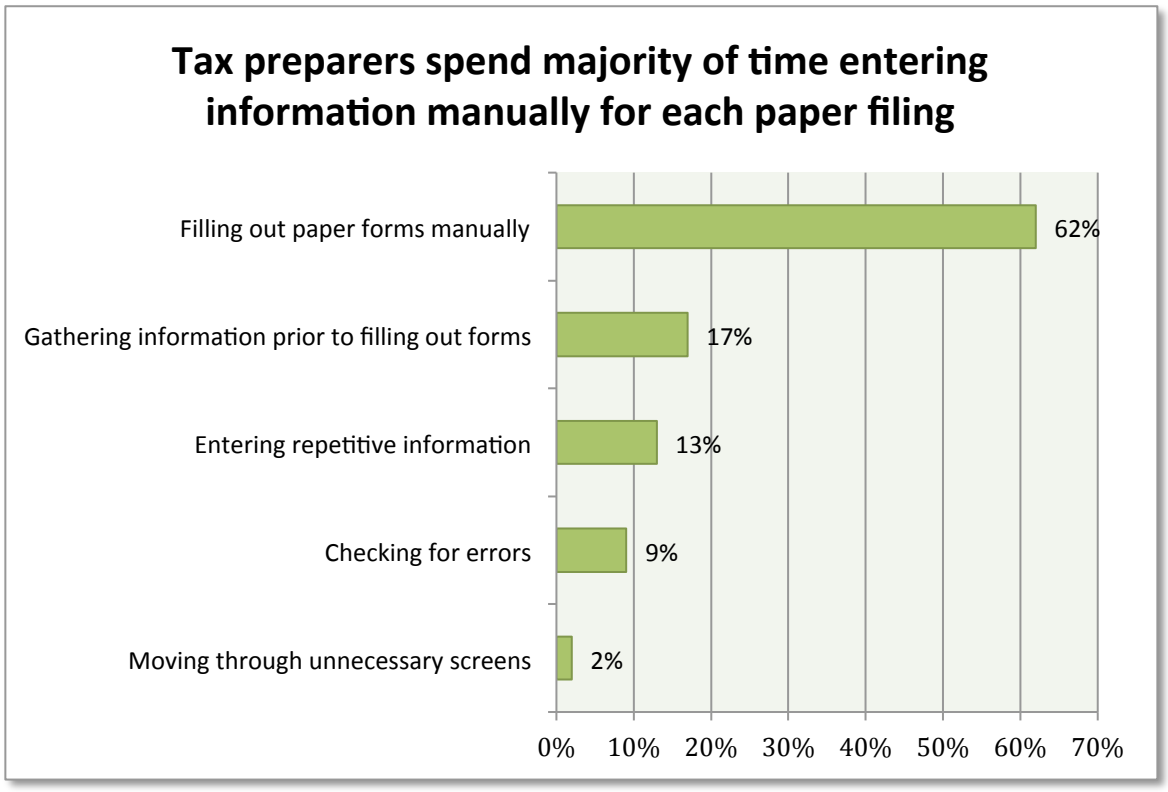
	TOTAL percentage spent each month or quarter	TOTAL percentage employers think they should spend each month or quarter
Less than 10 minutes per filing	10%	15%
11-15 minutes per filing	13%	25%
16-20 minutes per filing	10%	13%
20-30 minutes per filing	15%	13%
More than 30 minutes per filing	27%	0%
Unsure	25%	29%

Source: Groups 1 and 2, N=48

Next, we learned that an important way to understand the value of a tax and licensing portal is to clarify how potential users work with the current systems. On the first day of the focus group discussion, businesses were asked to identify how they spend their time on the job. The purpose in asking this question was to examine trends (i.e. Are potential users doing the same things?) and identify opportunities for greater efficiency (i.e. Are there tasks that can be improved to increase speed and efficiency without risking accuracy?)

While 85 percent of the participating businesses do work in Seattle (the only B&O city with online filing), over half of participants also work in cities with manual forms in place for B&O reporting. There were two key findings from this question. First, 62 percent of businesses said "Filling out paper forms manually" takes most of their time each month or each quarter. Second, we learned that the second, third and fourth most time-consuming tasks, including gathering information, entering repetitive information and checking for errors, were mentioned by less than 20 percent of businesses.

Chart 7: "What takes the most time in preparing the online and/or paper form? (i.e. calculating tax rates, filling out forms manually and sending them in, entering in repetitive information, troubleshooting the online system, having to contact Customer Support)?"



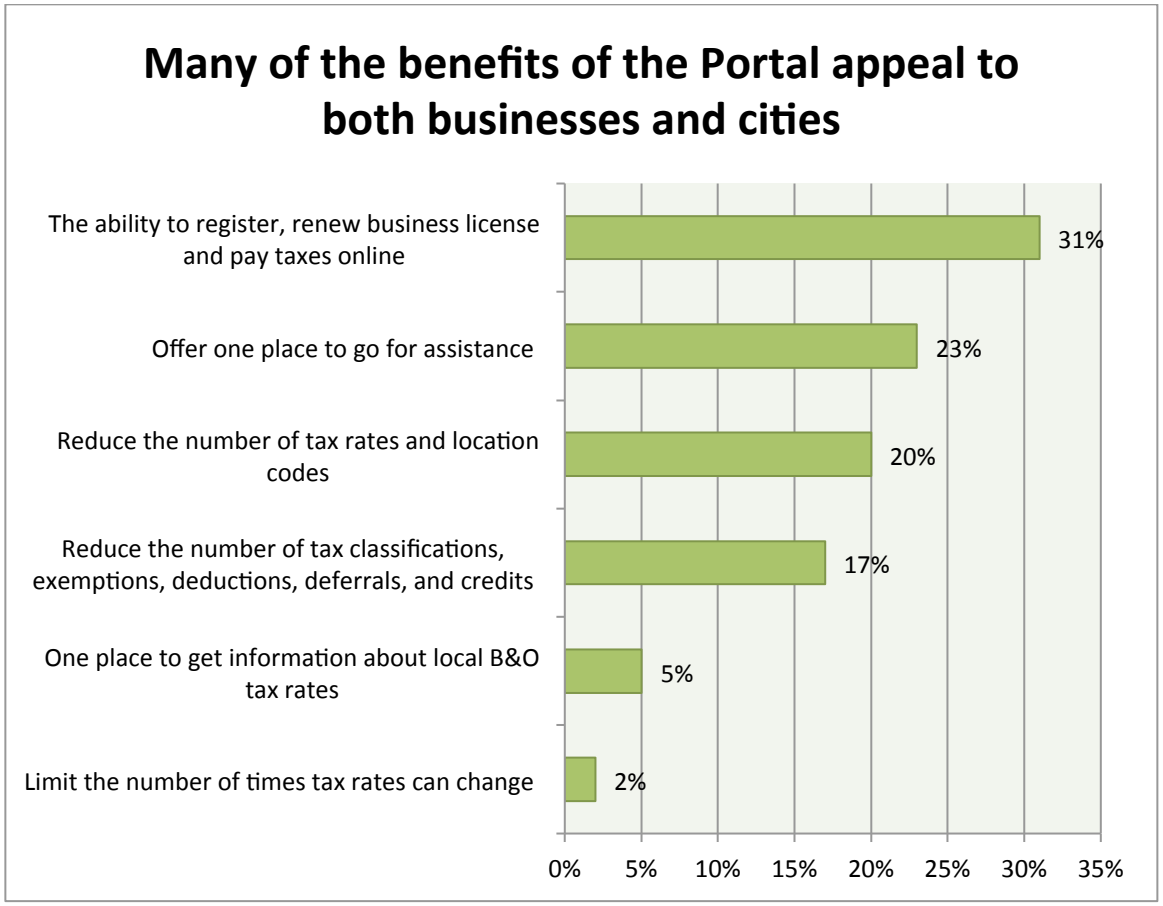
Source: Groups 1 and 2, N=45. Numbers may not sum to 100% due to multiple answers.

Participants in each group were asked what potential changes offered through a Multi-City Business License & Tax Portal would make a positive impact on their city or business. Participants were only able to select one feature of the six that were listed. In this way, we are able to rank the items in priority order.

Almost a third of participants (31%) said that migrating to an all-online system for business license registrations and tax filings would make the most positive change for them. The next two priorities were "Offering one place to go for assistance." (23%) and "Reduce the number of tax rates and location codes." (20%).

An obvious question is whether size of business impacts the interest someone has in moving to an online portal for tax filing and business license renewal. The answer is no. There was similar interest and enthusiasm for online filing from small, medium and large businesses.

Chart 8: "Which of the following changes, if made, would make the most significant, positive impact on your (business/city)? (Please select one)"



Source: All Groups, N=64

In an open-ended question, all three groups were invited to give a summary of the pros and cons of paper vs. online systems. We have provided the verbatim quotes, separated by group. In most cases, participants gave pros and cons and compared both systems. Rarely did someone use this opportunity to outline his or her argument for why one system was superior to the other.

General themes brought out in the course of discussion included the following:

- Convenience/ease of use
- Control/customization
- A paper trail
- Time savings
- Consistency
- Being customer-service oriented
- Online access

Table 5: "Please take a moment to compare and contrast the different systems that you use to pay taxes for this business (online vs. the paper forms used by some cities)."

	Pros of paper system	Cons of paper system
Quotes from Group 1	Paper is generally easier when we prepare returns for our clients since it is difficult for us to maintain and be authorized to log on for our clients - and the sending the payment in needs to come from their authorization not ours as CPAs. I prefer paper it allows me more control over the process. Hard copy gives you formal documentation.	Anytime a busy professional has to manually write in data and send by mail, it seems as if this process is much more of an inconvenience and takes more time. One state or city requires one thing and another requires something totally different. When you do paper you never know if it may get lost in the shuffle. Paper forms can be misplaced and challenging to get the forms off the various websites.
Quotes from Group 2	We try to manage our cash flow, and we prefer to pay our returns one day prior to the due date. Many systems do not permit you to specify the date, so this is frustrating when you're filing about 50 sales and use tax returns all due between the 20th and the end of the month. Paying by check is still a much faster process, involving fewer departments and General Ledger accounts to post to.	If you make a mistake you have to white-out or erase so now the form isn't as legible then write a check and find a stamp and hope the Postal Service doesn't lose the letter in transport. There has been times where I have never received my paper form in the mail and was busy that I forgot about it until it was past due. The biggest drawback and time consumer is the multiple forms and formats. Paper causes a lot of operational trouble for me as I manage my business remotely. I am usually calling and getting copies every quarter. For example, City of Pacific doesn't send out forms or reminders. It is easy to miss something.
Quotes from Group 3	I have found that applicants prefer to be handed a paper copy of the application if they are standing at the counter, and that if you tell	One of the most common complaints we receive is that our neighboring cities belong to the DOR BLS, which is a one stop

	them to go online, they feel turned away/redirected. We are a small, rural, and multicultural area. A lot of our "residents" pay with cash and fill out their forms when they are at City Hall. So it is important to them to have a place to go. Plus it is important to them to identify with who will receive the money.	licensing process, but have to physically come our city hall to apply for a business license. A drawback would be the potential slower approval process for contractors, who are applying for building permit the same day they wish to start the work. Currently, we can issue a business license at the same time as the building permit. We would like to continue that practice, so the tax portal would need to issue a submittal confirmation number at a minimum. As paper applications take longer to process, some applicants are impatient with the paper application. You risk entering mistakes when you re-enter someone's info.

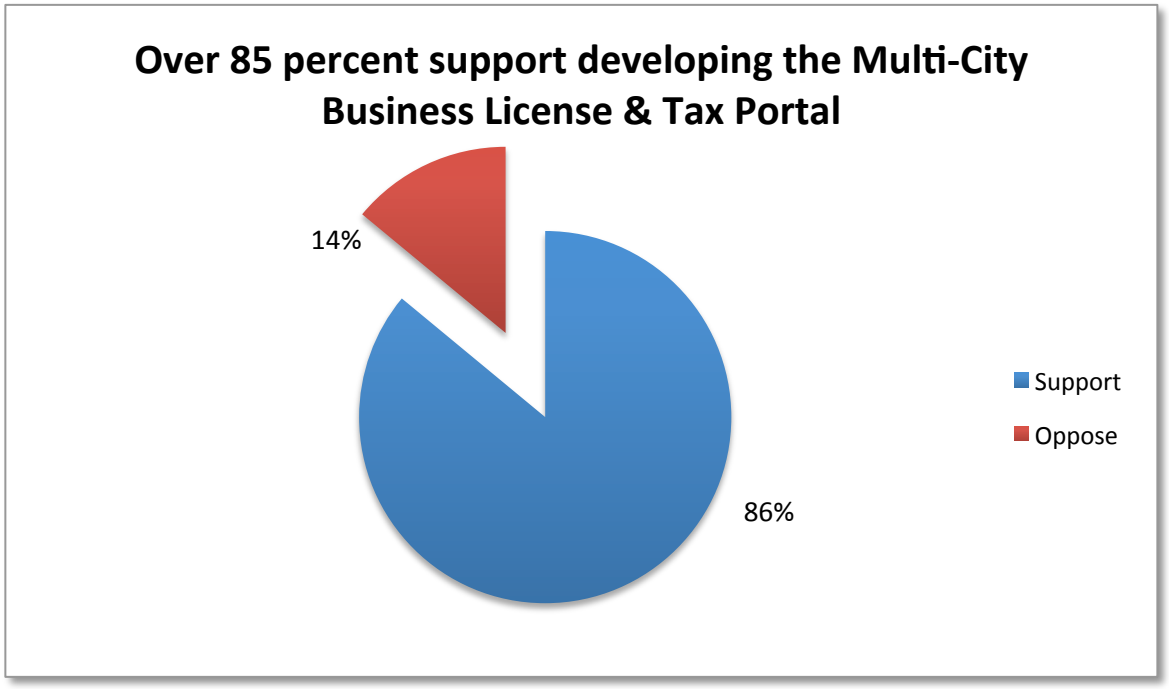
	Pros of online system	**Cons of online system**
Quotes from Group 1	On line is much easier if it is user friendly requiring less time. Online is always easier, so long as there is history to look back on for the business filings. Online systems need to function well all of the time. Some are perpetually "down". One advantage of the state Department of Revenue site is that you can customize what lines display such that you are only dealing with the lines that apply to your company. For example, we don't pay state B&O, so we can skip directly to state Public Utility tax section. Online is by far much easier and convenient as it does many calculations for you but the drawback is that sometimes it doesn't let you put the numbers in that you need to so you have to just make it work.	The duplication is frustrating. When online doesn't work there are penalties for the company and no one wants that. There would have to be a verification process that can be printed to show payment on time. Online easier, but too fluid. Online is better as long as the technology involved (including desktop & connections) are reliable.
Quotes from Group 2	The sites in my opinion are easy to	Payment options are sometimes

	follow, easy to make payments and get confirmation. Online filing also eliminates extra costs to businesses for things like checks and stamps. The best it checks everything for you. You can still make an error, but fewer. I also like online because I do get reminders on my email and updates on tax changes. I like the ability to do it online it saves time and internal paperwork processing. Since my location is out of state, I often don't receive paper returns timely. It's very convenient to file & pay online. We seem to renew on time and in advance of when needed when everything is online. The cities get their money faster. The most beneficial online systems are those with error checking.	limited online (Visa or MasterCard but not both) which can be annoying. EFT's are extremely frustrating for our company. The only drawback is trying to fix and errors once you post the return. It would nice if some of the fields would auto-calculate (the information is already in the form).
Quotes from Group 3	Almost half of our tax filers fall below the annual gross revenue exemption and never pay any tax (they are still required to file a return), so having them file online would save a great deal of staff time on data entry. I notice that compliance is quicker with online applications. I think online is easier for most people as they can log in and get what the need - when it is convenient for them (24/7). It has been especially beneficial for us to allow businesses to update contact information, etc. on-line during the renewal process vs. making all the changes manually.	If customers are unfamiliar with licensing and permitting, they are more easily confused by the online application and are less likely to ask for help while completing the application, resulting in confusing applications at times. The hard part is integrating that system into our financial software so there is some way to balance and know that all business licenses are accounted for. The drawback for multiple cities is that we are often requiring different sets of information which makes it confusing for businesses.

Key Findings: Day 2

On Day 2 business participants from Groups 1 and 2 were asked what they thought of moving toward an online system where they could register their business and pay their taxes. Over 85 percent of businesses said they supported the change. Open-ended comments were also collected from this question and they are listed in Chart 9.

Chart 9: "What is your reaction to hearing that cities would provide an online system where you can register your business and pay taxes? Do you like this idea? Do you think it would work well for you?"



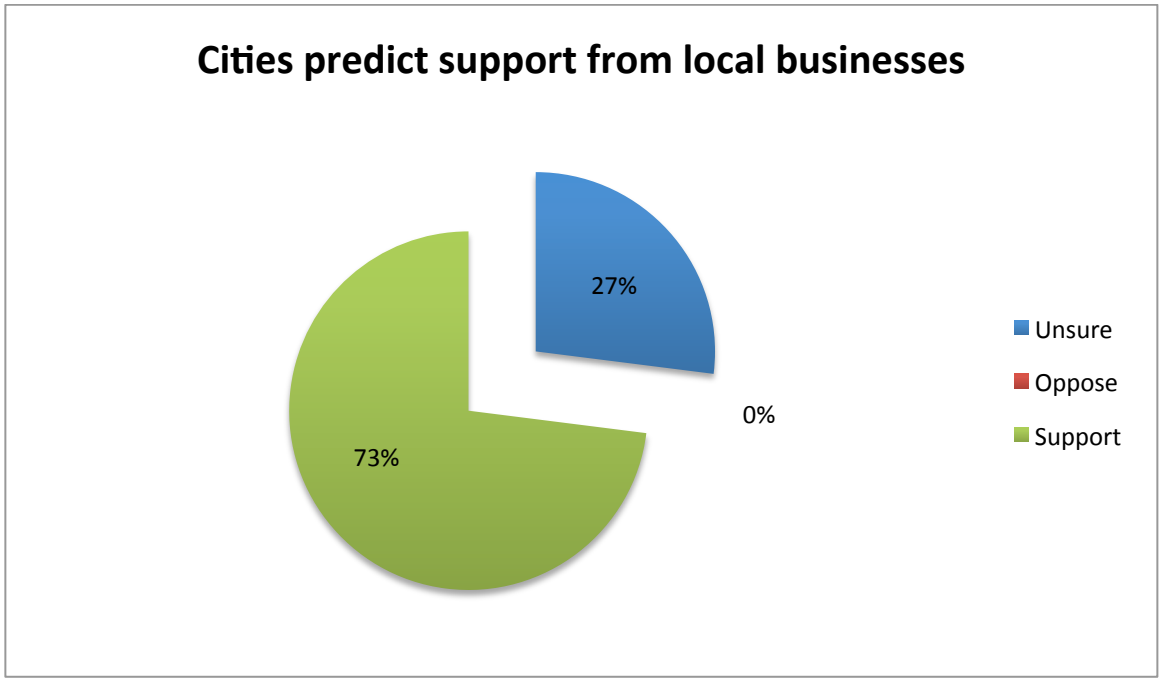
Source: Groups 1 and 2, N=49.

	Quotes from small business participants (Groups 1 & 2)
	I love the idea. I wish all the cities would provide an online system to register businesses and pay taxes. An online system that is **user friendly and well laid out** would make my job easier if I could just log on once and register a business for multiple cities and pay the taxes. I think that's a great idea, and **saving paper is a good thing**! Easier is good, allows us to **save time** as well, and focus on what's important in our businesses, for me it is **serving my clients** well. Would really like to see it happen. It would help with **accuracy and time**. Yes, as long as I got a reminder via email to **remind me** to go online and pay. It would be even better if not only was the portal coordinated but the actual tax laws as well I would LOVE **an integrated system** with one business license regardless of where your business is

	domiciled or how many cities I do business in. It annoys me that I cannot do City of Tacoma filings online along with everything else. If the a city maintains a separate licensing process, that city should be required to make sure that information on Access WA site is kept current. If I'm required to file a license in different cities I should at least be able to get the information for all cities in one place. I would also like to not have so many login IDs and passwords for doing business with city and state government. The process for filing and renewing state business license has changed (I think for the better), but it's still confusing because everything seems to be in a state of flux. I like the idea - unless it means lots of duplicate data entry, same data, multiple online systems.

Representatives from city governments were asked to consider the reaction from their customers. Similar to the business participants, there was strong, positive indication (73%) that moving in the direction of an online portal will be more efficient, while at the same time allow for a high level of customer service.

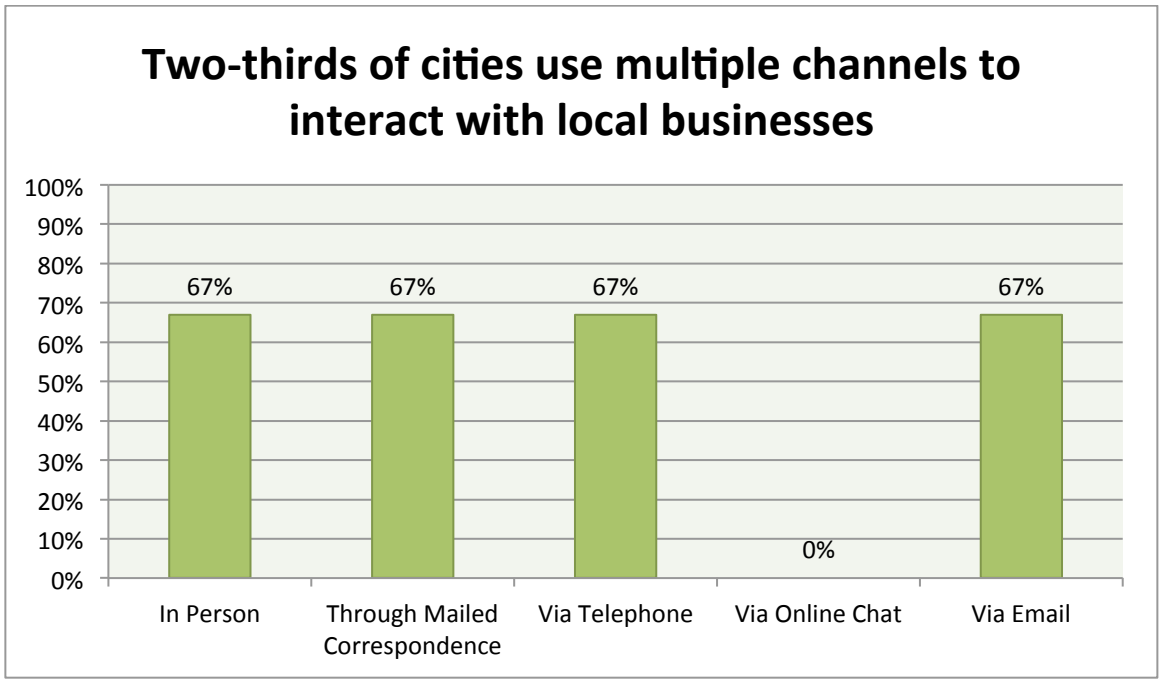
Chart 10: "Do you think the businesses in your city would support or oppose moving to a system where they can file and pay their taxes online, as well as register a business online?"



Source: Groups 3, N=15

One city staff person captured the sentiments of her peers in one comment, "I believe the majority of our businesses would support the idea, however I hope that the businesses who are not computer-savvy would still have the option of filing by mail or in person at our counter. Many of our new business customers come in to apply for building permits and are directed to apply for their business license at the same time. Hopefully we would not lose the "customer-friendly" option of on-site, immediate service." This comment drives home the point that many cities interact with their local businesses in person. When we asked city government participants about the ways in which they work with their customers the most common responses were in-person (counter), mail, telephone and email.

Chart 11: "Regarding tax and business license issues, are your interactions with your business customers mostly:"



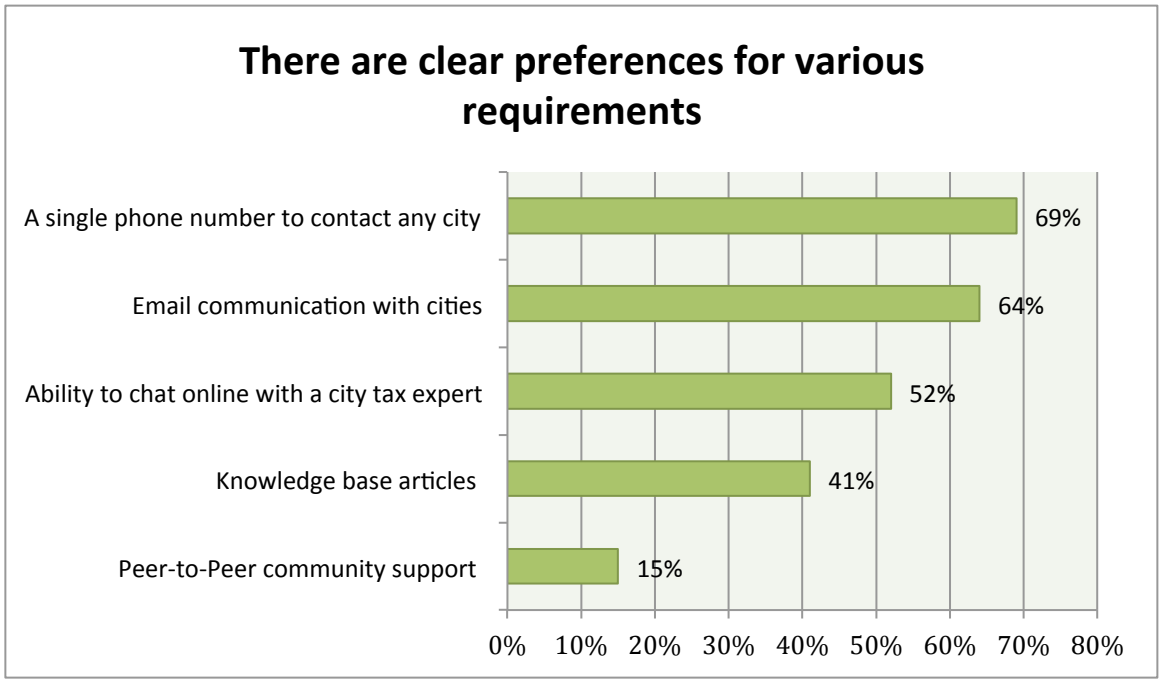
Source: Groups 3, N=15

The next major segment of Day 2 was for city government participants to give input on the customer service requirements of the Portal. We asked participants to comment on and identify the three most important features.

The top three features selected included telephone support (chosen by 69%), email communication (64%) and online chat (52%). Knowledge-based articles (which may or may not have a communications support feature) were mentioned by 41 percent and peer-to-peer support was seen as important by 14 percent of all participants. It is noteworthy that city staff members were much more likely than business owners to say knowledge-based articles and peer-to-peer support were important requirements to include as part of the development of the Portal. In fact, the importance of each item is on par with the importance they assign to email communication and the online chat feature.

This difference of opinion on the requirements is an important finding, as it underscores the different perspectives, but also what kind of robust peer-to-peer support and knowledge- based articles might be expected from city staff before they can fully adopt the Portal as a customer service enhancement.

Chart 12: "The following are some of the requirements for customer interaction. Please select the THREE most important features for you."



Source: All Groups, N=61.

Also, on Day 2, participants heard what else the proposed Portal would offer to businesses and cities. After describing each feature, participants were asked if they supported the adoption of that feature.

Four features were supported by almost everyone in all three groups:

- Printed confirmations: a confirmation of how much the business pays to each city, each month
- Access: 24/7 access to the online Portal
- Auto-Filling: Once a business enters certain information (i.e. business name, UBI number), the Portal has memory to fill that information in automatically throughout the filing
- Auto-alerts for credits: Automatic application of tax credits and deductions for qualifying businesses

There was some level of debate about other features. The most controversial, by far, was whether to charge a fee to businesses that opt-out of the online system. Less than half of all participants thought a fee would be a good idea even though a specific fee amount was not identified. Perhaps if a reasonable fee amount was imposed, such as $25.00, and businesses were given a one-year grace period before the fees began, opposition would diminish.

Table 6: "If several cities partnered together and went to an all-online, uniform system, we'd like to share with you some of the features that would be part of the filing process."

	Support/agreement from participants
Businesses doing business in multiple cities would pay one total tax amount online and the funds would be automatically distributed to the appropriate city.	Group 1: 63% (15/24) Group 2: 90% (19/21) Group 3: 100% (15/15)
A confirmation of how much your business paid to each municipality would be available to print at the end of the transaction.	Group 1: 100% (23/23) Group 2: 85% (22/26) Group 3: 100% (14/14)
24/7 Availability of the portal	Group 1: 96% (23/24) Group 2: 86% (19/22) Group 3: Not asked
Businesses would enter their business name only once at the start of the tax form and would not have to repeat this information again.	Group 1: 100% (24/24) Group 2: 100% (23/23) Group 3: 100% (14/14)
A fee for paper filing	Group 1: 21% (5/24) Group 2: 41% (9/22) Group 3: 14% (2/14)
A business' bank statement would show what dollar amounts each month were paid to each city	Group 1: 63% (15/24) Group 2: 32% (7/22) Group 3: Not asked
Online alerts that would let you know if a business qualifies for tax credits.	Group 1: 100% (24/24) Group 2: 95% (21/22) Group 3: 100% (14/14)

After responding to the features in the table above, businesses were asked to give suggestions for additional features.

	Open-ended suggestions from businesses (Groups 1 & 2)
Accuracy	An option in the end to double-check all the work.* I would like to see email reminders when taxes are due as well as confirmation that the taxes are paid and accepted. Ability to speak to an individual with specific knowledge of the taxing district and authority to act.
Efficiency	To be able to work on the report and have it saved to come back to if needed to finish later.* Being able to look at previously filed returns and being able to amend previous returns on line* Uniform reporting of jurisdictions. All either monthly, quarterly or annually.* Feeding the municipalities' systems seamlessly into the state system, i.e., if the state adopts a new system, it should be COMPATIBLE with the cities' systems* The most obvious and frustrating burden is needing to report to the cities at all. We report everything to the state already. The state could adapt its system to deal with city B&O taxes just like it does with the other major city taxes (sales tax, use tax, real estate excise tax).* Having one log in that would encompass reporting for all the cities / state is important. Once I'm set up on a portal, I don't want to have to re-enter our name, license number, and banking information. I want to go in, enter the numbers, have the form calculate, confirm the amounts, set up the payment date, confirm the pre-entered banking information, and file. Maybe also a one-click renewal for when there are no changes. Would want to be able to confirm easily where we are licensed and be able to advise a city if we stop doing business in their municipality. I like the idea of a Mobile Business License Program. One feature, which would be nice, is memory in the system. For example, if I never have cigarette sales, it shouldn't be on my screen. I would like to see prior returns, too. Most of the cities have minimum revenue requirements so these are important to calculate automatically if applicable. Electronic payment capability. Common business license expirations dates. The ability to print screen and ensure users are limited.

	The ability to view actions that are needed. Ability to log on to multiple companies - both for owners who have several companies, as well as a way for CPAs to log on create the returns and then have the client approve and submit payment Integrated zip code lookup to identify which jurisdiction covers each of my customers is in which tax area would be great. Saves another step where we now use dor.wa.gov to find that.
Clarity/ease of use	Convenience and the alerts for possible tax credits sound really great.* Because I deal with many cities, it is nice to know BEFORE I go through the online submission what the cut-offs are. For example, there are cut offs for gross sales receipts. If I am under the limit, no tax is due. I like that to be up upfront. Benchmarking tax liability against our peer group Highlighting differences between cities (and state) would be helpful

*Mentioned by multiple participants

Cities also provided ideas that would help motivate them to adopt a user-friendly Tax and Licensing Portal. Almost everyone provided at least one suggestion. Here is some of what was said:

	Open-ended suggestions from city staff (Group 3)
Accuracy	No comments/suggestions
Efficiency	May be important to have the ability to attach documents. The ability to print a filing history would be very helpful as well as the business contact information for inclusion in a file so that as personnel change, someone can easily see what changes need to be made. Ability to generate paper as well as electronics. (e.g. not just send e-mail notifications, but be able to generate a paper file notification as well). Ability to handle various routings and approvals prior to license being approved. Good reports, automated notices to follow up on expired licenses, ability to add penalties. Ability to submit an application electronically, have it route and various approvals added prior to notifying the customer the license is approved and now ready to pay.

	Ability to collect and update and transmit back to the city various licensee information. We use the process more than just to collect a fee.
Clarity/ease of use	Flexibility that allows jurisdictions to maintain local control. Timely and detailed tax data that can be uploaded into our systems without too much manual effort. A large number of our customers have balances on their accounts (both balances owing, and credit balances). It would be nice to have those balances show when they are filing or renewing online via the portal. It would also be nice if business were able to update their addresses and phone numbers on the portal site. We should make it a universal as possible (all cities for example) and simple (all businesses could use it if they chose). Ability to handle license renewals both/either as an annual process or as a rolling period (30 day, 12 months from application vs. January of each year etc.). Ability to handle multiple periods of expiration, such as monthly, daily, annual, etc. for renewal process. From the City side, it would be helpful if the funds transfers to the City's could be on a schedule that is customizable per City. For instance, we currently receive funds transfers twice a week from the State, and as a small City, we would find it easier with our reconciliation process to receive the transfers once a month. Also, the State uses antiquated software (DOS-based) for processing/managing licenses. I access this remotely to approve pending licenses. It is ridiculously outdated and complicated to access and use. From a business perspective, it is important to make it transparent when a license is required versus when it is not. An issue we have struggled with the State website on as they are moving through the screens to get their State License, they come upon the City License Page, where it asks them where they are located and lists a bunch of Cities. It makes it seem like they have to pick one, and doesn't give the impression that this is for adding City business licenses to their State one. They are not told on that screen that each City they check will be charging a license fee. It also didn't clarify very well that the license is only required for doing business inside the City limits. This was a major issue here because our City limits is about 10% of the size of our postal zip code. So if they are conducting their business at an address that says our City, they think they need a City license, even though they may be outside City limits, which is not according to our Municipal Code.

Key Findings: Day 3

On Day 3, focus group participants provided comments on three topics: the look and feel of three new forms/pages of the proposed Portal, how they would like to be involved with this project as it moves forward and potential names for the Multi-City Business License & Tax Portal.

By this point, participants were eager to see the design of the Portal. Participants were shown a new business license form, a home page design and asked questions about the individual worksheets businesses would fill out during their monthly filing.

In response to a new business license form, comments fell into three categories: general design, questions/clarifications and additions. Below is an image of what the participants saw when asked for comments and questions. Questions raised by multiple participants are marked with an asterisk.

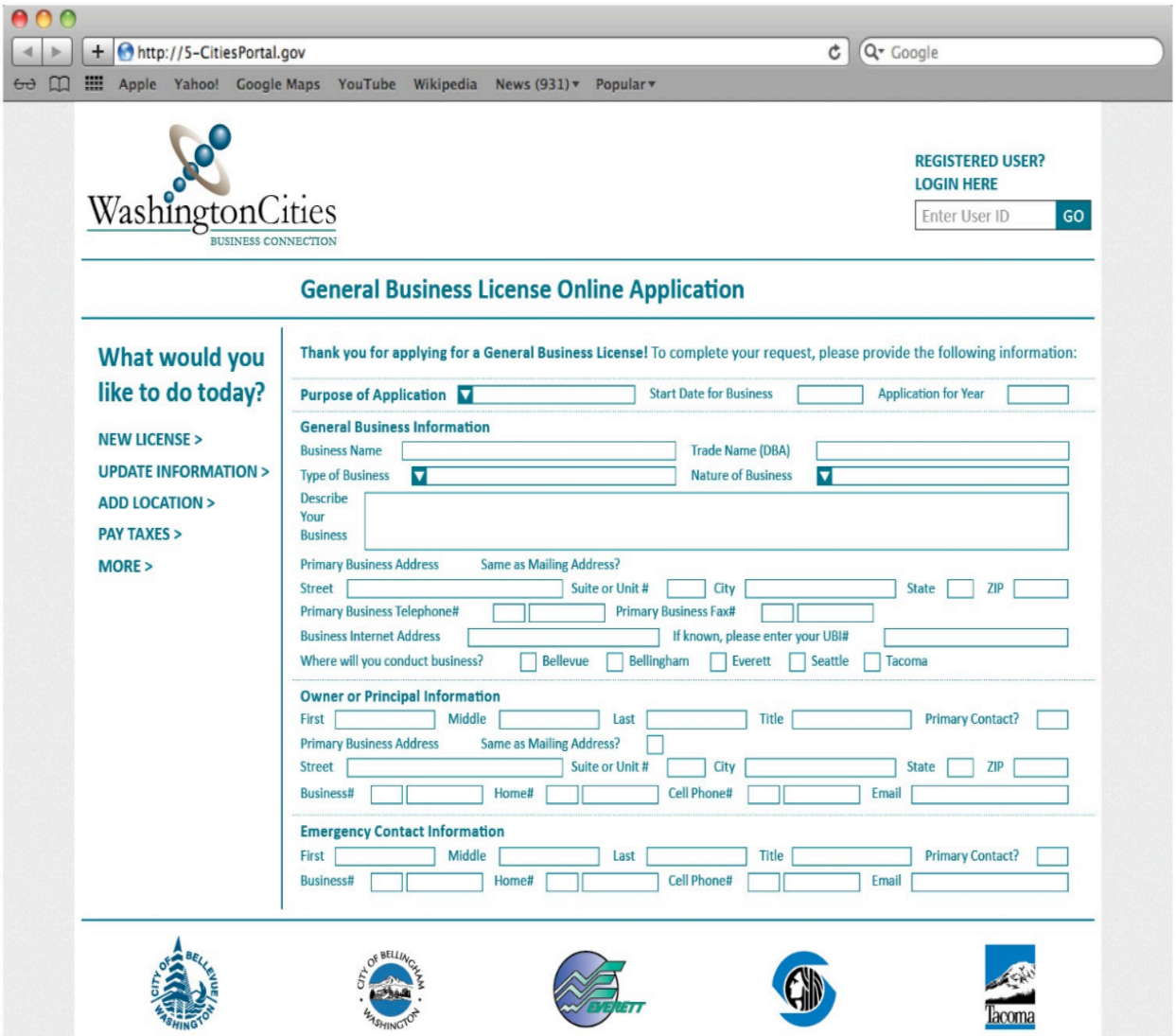


Table 7: Comments and questions on the new business license form

IMAGE #1	Comments and questions
General design comments	TOO crowded with questions, layout is too boxy...not enough white space.* The city logos (currently on the bottom) should be moved to the top so cities know they are on the right page The sidebar tabs were perceived positively and described as helpful and clear. A few people commented that they liked the color scheme, name and logo used. Instead of a worksheet layout, what about putting information on different screens so it's less likely that information will not be missed?
Questions/clarifications	Define "conduct business?" There should be a hyperlink to explain what triggers a business to have to file taxes in a city.* What section is used for renewing a license?* Why do you need the Owner's title?* Why do you need home number, cell number and home address? Staff hate giving their home number out and our company policy is not to give this information for owners.* Is emergency the correct term or is it secondary/back-up contact?* What are the items in the drop-down box under "Purpose of Application?" Is this where we designate a new vs. renewal application?* Will we have to file a separate, supplemental license for vehicles used by a business? Once a business files or registers through the Portal, can they just add cities or will the business have to fill out this form for each city? What is the difference between Business Name and Trade Name? What if I forget my username? You should require UBI number, not just ask for it "if known." And once it's entered, couldn't the form auto-fill with a lot of this information?* When the sidebar says "Pay Taxes" which taxes are you referring to?* What would be under the "More" tab? This is unclear. Taxes or licensing fee? Not that there's a big difference, but the caption is inconsistent with the heading of the page. Is the Mailing List field a Yes/No question? Are the application periods for calendar years or for 12 months at a time?

	How much of this form will be shared with the State DOR?
Additions/changes	Do you need to ask things like estimated gross revenues, FTE's, business square footage, is the business inside the city limits?* Do you need the fax line? I would replace it with the email address for the person completing the form. The question about "Where will you conduct business" should be moved to the top." It's too important to be lost in the middle of the page. How many of these fields can Auto-Fill from the State's DOR database? Change "Owner" to Primary Contact. Most businesses don't have a single owner. Need to be able to enter more than one DBA. Prefer to type a number in like this: 425-555-6666 What if the start date is different for each city? Does there need to be separate boxes for each city filing? We need the ability to enter Canadian provinces instead of US States

Next, the second image tested was presented as a potential "landing page" for the Portal. Again, participants were asked to raise questions and comment on the look and feel of the page below. They could comment on the overall design elements, including color palate, layout and ease of understanding.

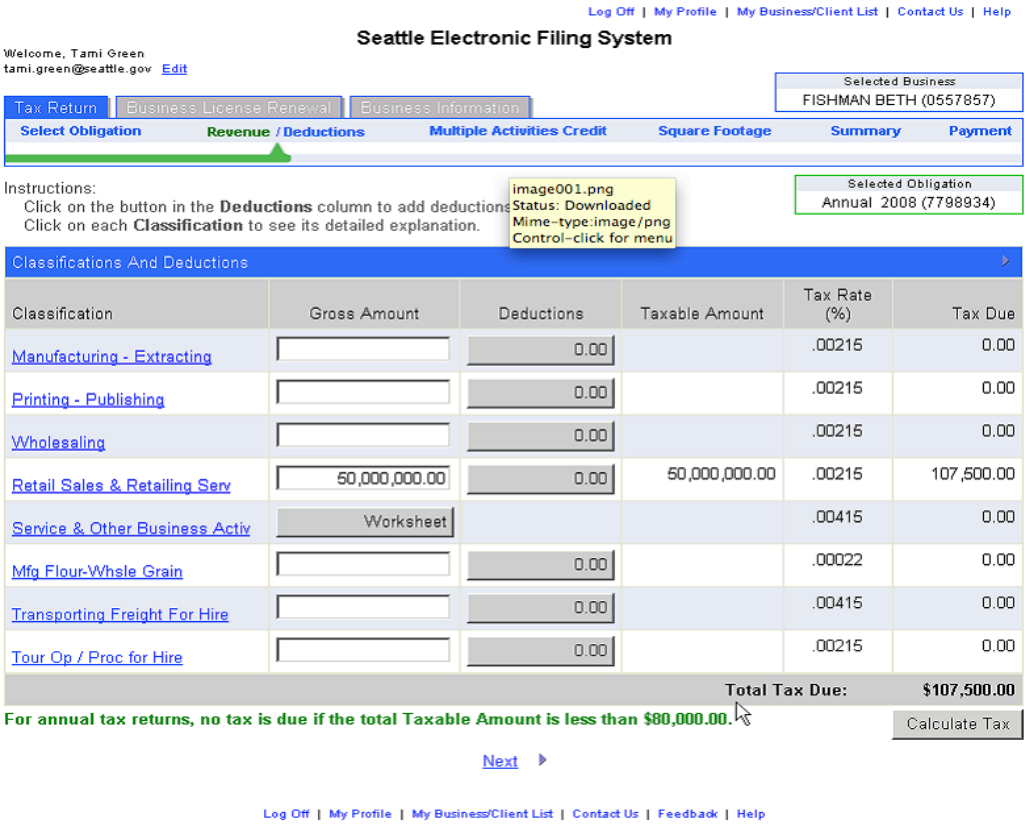


Table 8: Comments and questions on the landing page for the new Portal

IMAGE #2	Comments and questions
General design comments	The most positive comments were seen in four main areas: the "What would you like to do today" section, "Starting a business" section, "Changing information about your business" section and "FAQ's" section. The "Newsfeed" and "Headlines" sections had the highest numbers of negative comments. Too much clutter. This sidebar is a good list, but should be front and center, since this is the main function of the website
Questions/clarifications	I don't like the name. What happens if more cities would join in?* Why are you not integrating this with the state DOR or at least all 39 cities that require B&O taxes to be paid?* What do you envision in the "More" section of the sidebar? How do I recover my login/user ID info? Will the Headlines section report the same information as the Newsfeed? It seems redundant.* The Headlines section doesn't seem appropriate for filing taxes.* This clutters the page too much. Maybe change it to a link to bring up "Tax Headlines". Where is the button to renew a license?
Additions/changes	The "Changing Information About Your Business" section should be moved to the "What Would You Like to do Today" section. I don't really like the term "guided assistance"... used on multiple areas. What about research law, publications and rules? This should be a prominent option on the sidebar. Somewhere it would be helpful to have a link to the report listing each participating city's deviations from the model B&O tax ordinance. The "We are working collaboratively…" section should be lower on the page and featured less prominently. I have a negative reaction to all this "back-patting." The "Filing Your Taxes" section needs to be moved up. It gets lost in its current location.

Finally, we showed businesses from Groups 1 and 2 a page from SELF: Seattle's Electronic Filing System, to demonstrate how the worksheet filing differs from individual pages. This is an important distinction for businesses that pay taxes for multiple business classifications. Our objective was to discern if participants had a preference in

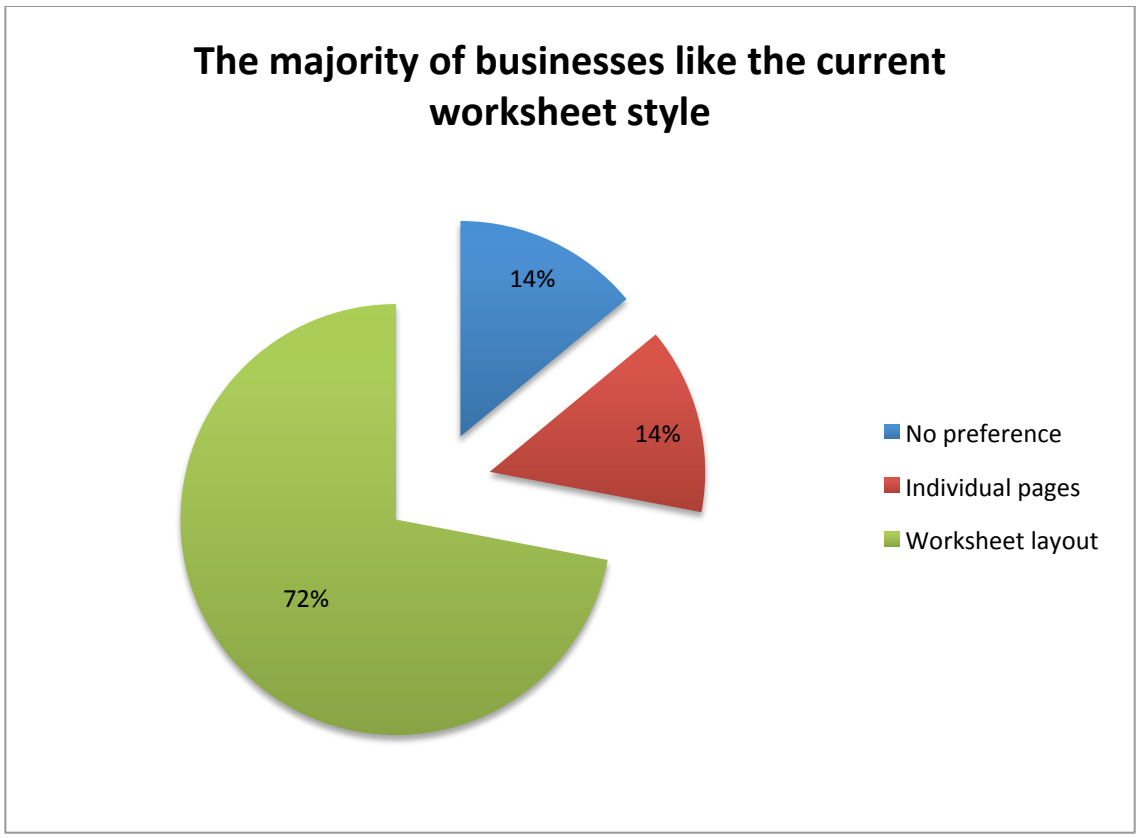
how information would be collected—via worksheet all on one page or if individual pages are easier to work from. Here's what the current SELF page looks like:



Nearly 75 percent of businesses answering preferred the worksheet style to individual pages. Another 14 percent had no preference and only 14 percent liked the option for individual pages.

One business participant commented on efficiency: "I think it's quicker to have everything on one page & hyperlink to the details if needed, rather than having to scroll through a bunch of pages that may not apply to my business." Along these same lines, another person said, "A worksheet is easier, especially in a multi-classification environment. Nothing should take more than three clicks of the mouse to complete." One participant added that her preference for worksheets is based on ease of use, "I prefer a worksheet style, so I can see the whole thing I'm filling out, not just one piece. It gives me confidence that I'm not making mistakes along the way."

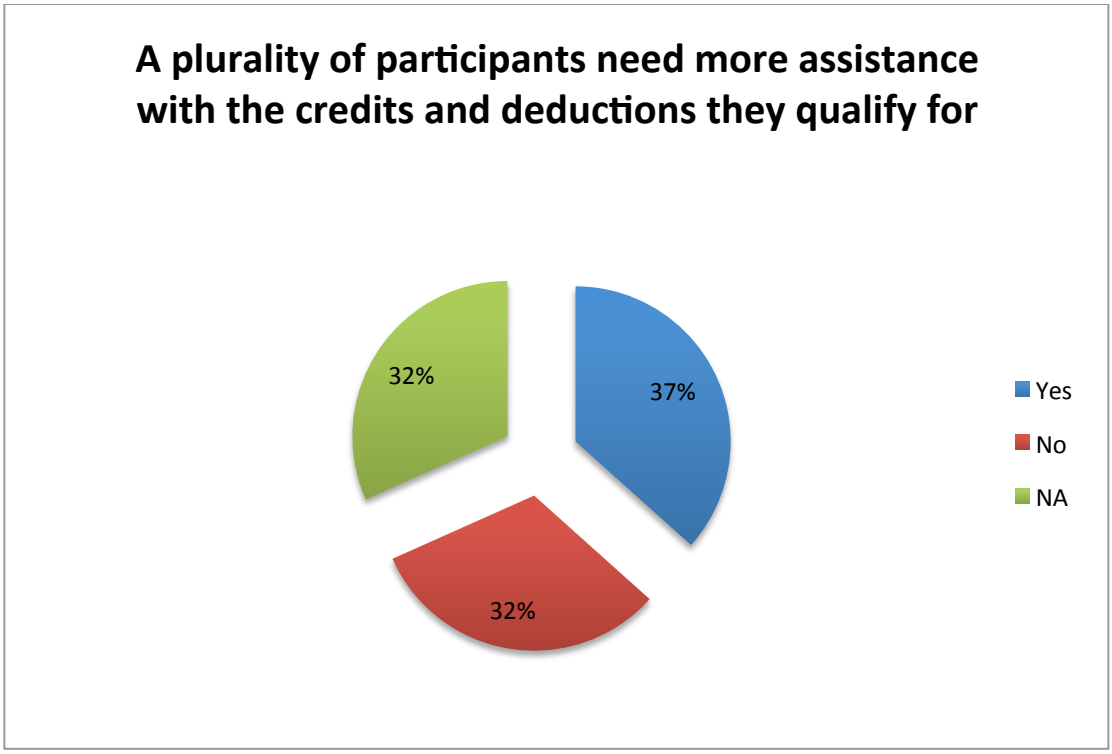
Chart 13: "Thinking ahead to the new Portal design, would you like to keep this worksheet layout in place (shown above) or would you prefer to see individual pages for each business classification?"



Source: Groups 1 & 2, N=35

One reason the worksheet style is popular with businesses is that it keeps information on one screen. This is especially helpful if a business must file multiple classifications. When businesses were asked if they had difficulty applying deductions and credits to their account, almost 40 percent (37%) said yes. Another 32 percent said credits and deductions did not apply to their business and 32 percent said they did not have regular difficulty with this process.

Chart 14: "Do you find it difficult to identify and apply deductions, exemptions, deferrals, and credits you think you qualify for?"



Source: Groups 1 and 2, N=41.

These results suggest that more explanation would help businesses navigate through an online Portal with greater ease and efficiency. Moreover, in a subsequent question, 57 percent of businesses said they have either a poor or very poor understanding of which credits and deductions they qualify for. Only 43 percent said they have a good or very good understanding of the credits and deductions available to their business.

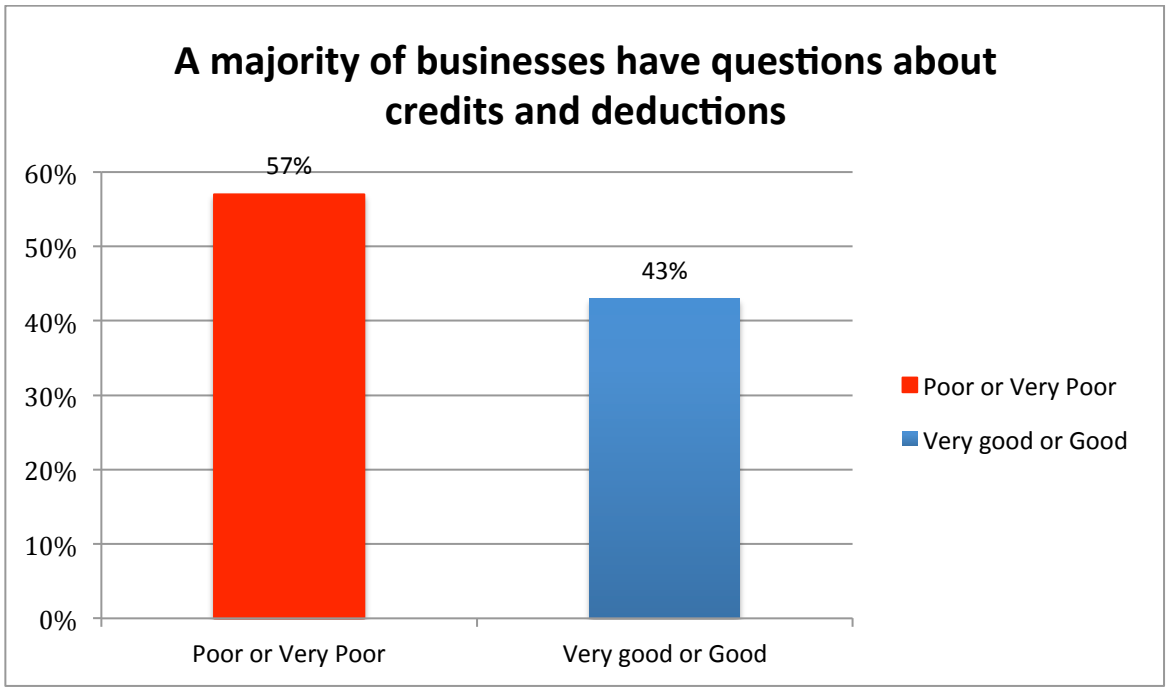
Furthermore, we note that small businesses reported being much less informed about credits and deductions than either medium or large businesses. This trend was present in both Groups 1 and 2.

Here are some of the comments about deductions and credits, “I'm usually pretty knowledgeable, but since each city has its own rules, it can get quite confusing.” Another said, “This is an example of how you can figure out if you have a good accountant or not -- they generally have a good grasp of the federal deductions and credits, but many accountants do not have a grasp of the state and city deductions and credits. I don't bother trying to be an expert here, I just call the state or the city and ask for help.”

One opportunity to educate more businesses on qualifying tax rates would be to include a link to information about each rate in the Tax Rate column. When this option was presented, over 60 percent of businesses said this information would be helpful to them (63%). One small business owner said, “We've had a great deal of staff turnover in our office in the last 2 years and I'd want the process as simple as possible for an individual new to this task.” Another small business owner said, “The hyperlinks provide a better explanation and user experience. I can learn on the fly with them.”

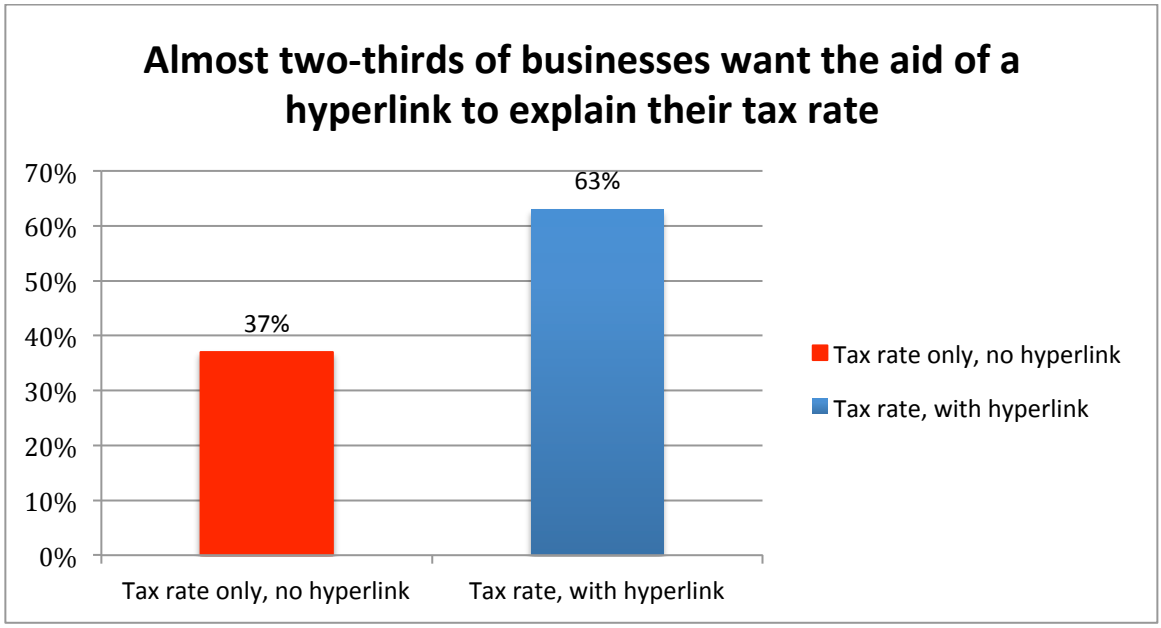
The two charts corresponding to these questions about awareness of tax deductions/credits and interest in having a hyperlink shown at the top of the Tax Rate column are shown on the following page.

Chart 15: "Some businesses claim deductions or tax credits when they file their taxes. How would describe how well you understand which deductions or tax credits your company qualifies for?"



Source: Groups 1 & 2, N=35

Chart 16: "In the new Portal design, you could get a little more information about how your rate is calculated. Do you prefer to see a hyperlink that explains the tax rate for your business classification or do you just want to see the tax rate without the hyperlink description?"

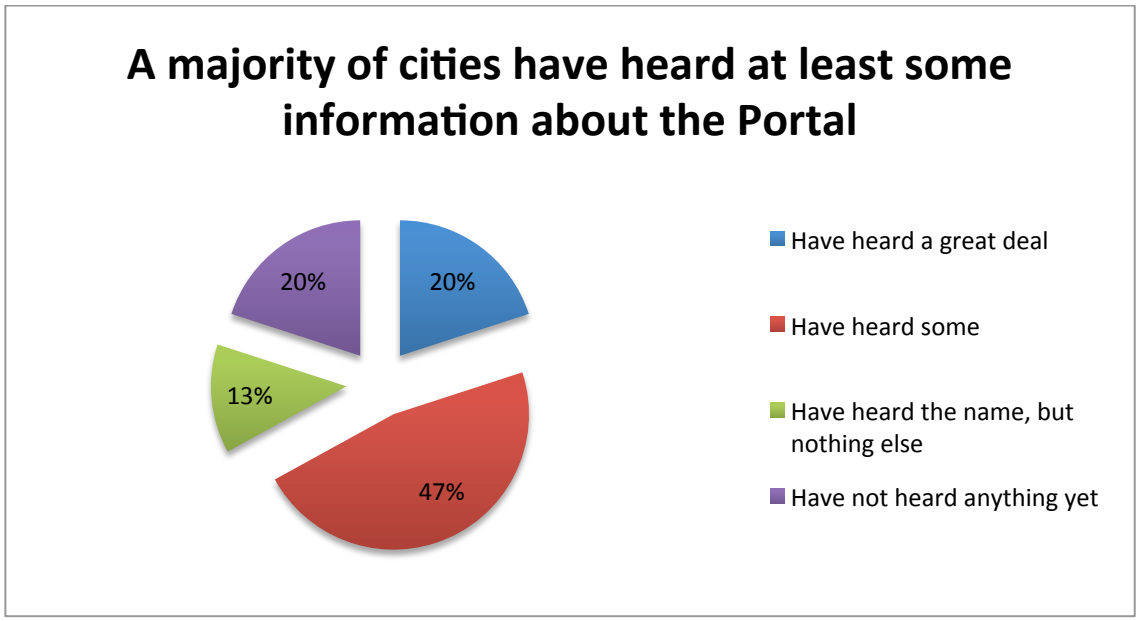


Source: Groups 1 & 2, N=35

Group 3 (the city government staff members from around Washington) were not asked as many questions about individual forms and tax rates. Instead, we took time on Day 3 to learn what city staff knew about this project and how interested they were in being part of a decision-making team going forward.

First, we asked how many participants had heard about the project. Over two-thirds of them had heard some information prior to the focus group discussion. The remaining third had no information or had only heard the name of the project.

Chart 17: "How much have you heard about the Multi-City Business License & Tax Portal?"



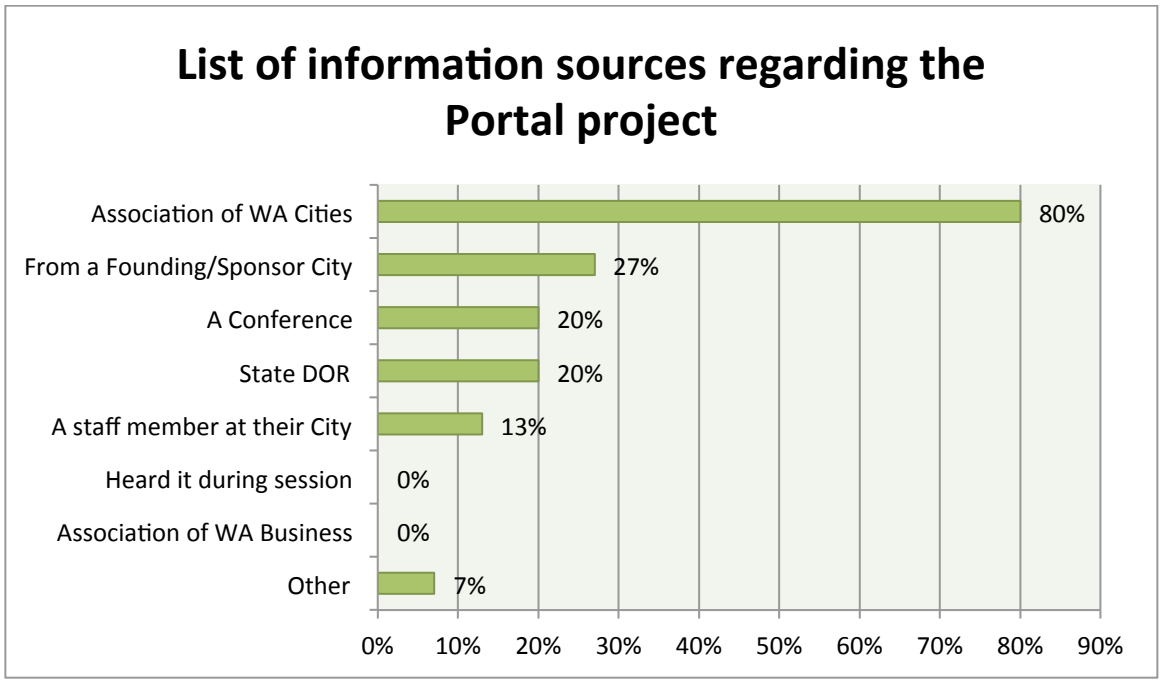
Source: Groups 3, N=15

Next, we asked the source of their current information about the Multi-City Business License & Tax Portal. Over 80 percent said they had heard about the project from the Association of Washington Cities (i.e. webinars and PowerPoint presentations). However, this number is inflated because it includes people who are hearing about the Portal through when they were invited to participate in this online focus group by the Association of Washington Cities.

In addition, between 20 and 27 percent had heard something from one of the five founding/sponsor cities, from a conference or from the State Department of Revenue. No one has heard about the project from Association of Washington Businesses.

While initial awareness of the Portal is low, enthusiasm for the project goals and playing a role in decision-making increases significantly as more information is shared. This is a very encouraging sign for all of the stakeholders involved.

Chart 18: "Where have you gotten information about the Multi-City Business License & Tax Portal? Please check all that apply."

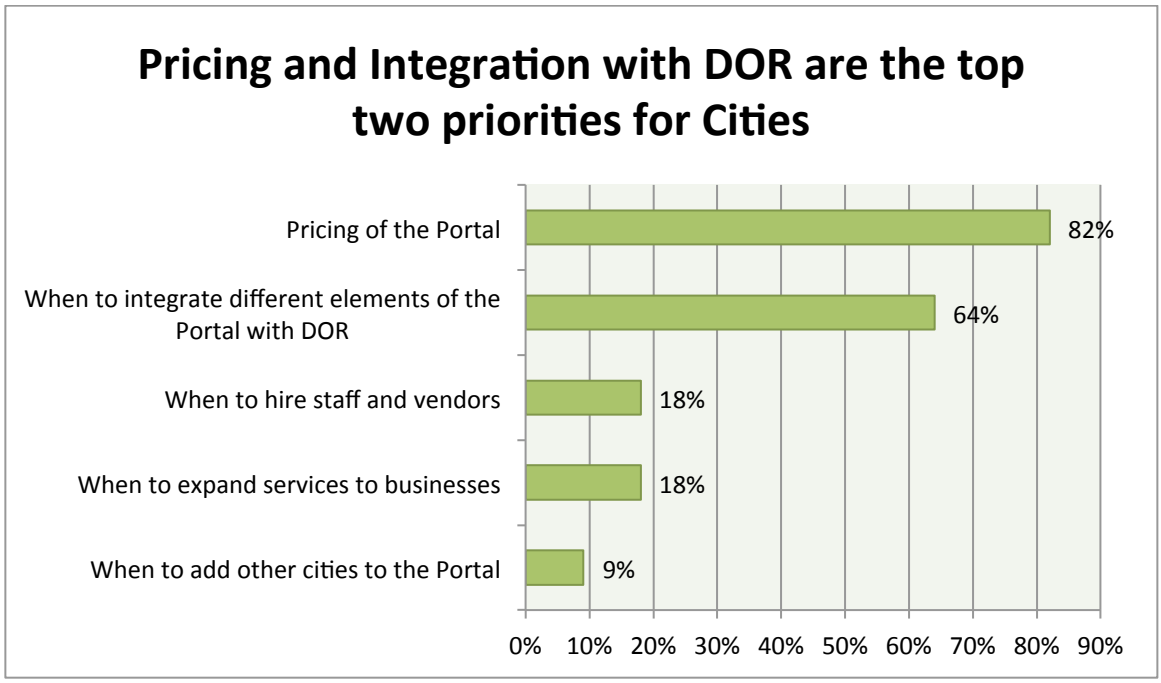


Source: Group 3, N=15.

We asked a series of questions about governance priorities and which issues to initially focus on with potential charter members. Two governance issues immediately dominated the conversation: pricing of the portal and integration with the State Department of Revenue. Over 60 percent of city government staff participants selected these two items as priorities. Outside of these two items, staffing, hiring and vendor issues were perceived to have much lower importance.

We also saw in the comments that it was common to tie these two high-priority issues with the ability to add cities to the Portal. For example, consider this comment: "I think integration with DOR is key. We have heard from some of our businesses that a true one-stop tax filing is desirable. Budget and pricing will determine if smaller cities will join the portal." Another staff member wrote, "It was hard to narrow the choices down to two since they are all important, but integrating other cities (especially the 39 B&O cities) is crucial since it will show the State and our businesses that we are cohesive and working toward simplification and efficiency. The pricing is important since we are all on tight budgets, but hopefully we'll be able to balance the cost via the savings in staff data entry time."

Chart 19: "Which of the following do you think are the two biggest priorities for the Governance Committee in the first year of the Multi-City Business License & Tax Portal. Please select TWO."



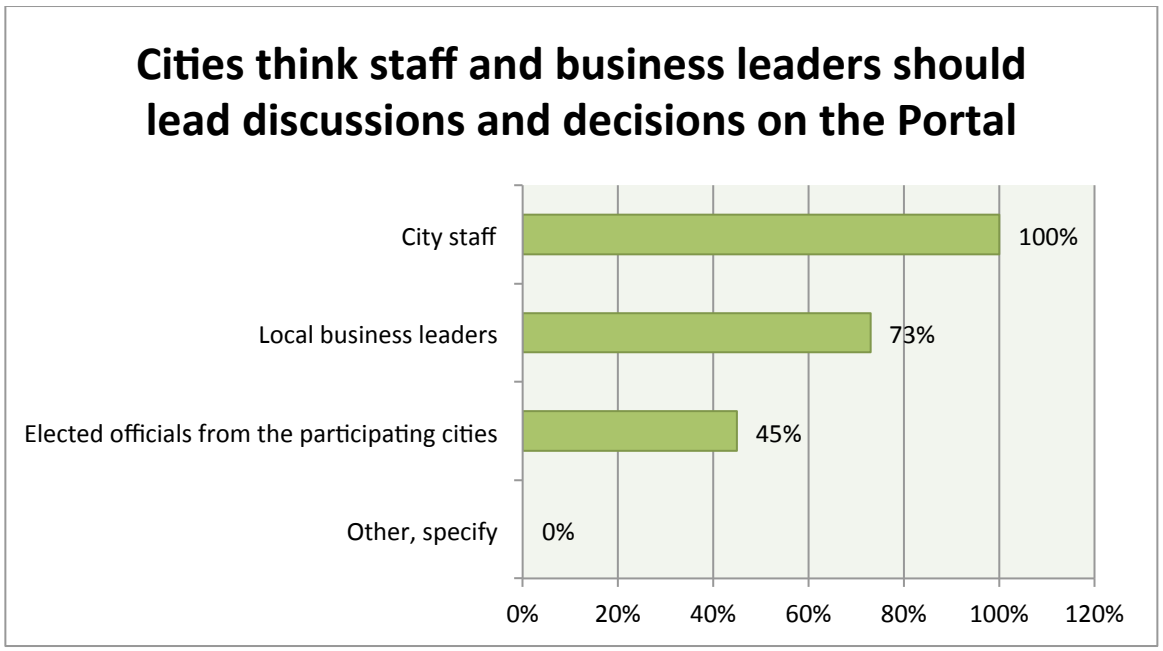
Source: Group 3, N=11

Hearing about some of the issues facing the five sponsor cities was enough to get the focus group participants thinking about who should be involved in the decision-making and oversight of the Portal. Earlier in the focus group, nine of the 11 participants said they were unsure if their city "would be interested in being a part of a decision-making team with regard to the governance of the Multi-City Business License & Tax Portal." Now, however, all 11 participants said city staff definitely needs to be involved in these decisions on *a regular basis.*

One staff person also highlighted the importance of diversity within the Governance Committee. She said there needs to be "Representatives of all groups and classes of groups. For instance, a city representative from a B&O city will have a different perspective then a representative from a city which doesn't have a B&O tax (usually small and budget challenged). The same holds true for large and small business."

Next, we asked two questions about collective decision making ("Is it important or not important that some decisions regarding the Multi-City Business License & Tax Portal be made by a group of cities?") and having one city act as Agent in Charge ("The Governance Committee may decide to delegate some decision-making to a specific city on behalf of all the participating cities. Is this model acceptable to you?"). Forty-five percent said they were unsure about both the importance of collective decision making as well as having an Agent in Charge. The online format of this focus group seemed to be a barrier to a robust discussion about these two issues. An in-person focus group or additional convening of some sort would be needed before we would be able to draw definitive conclusions.

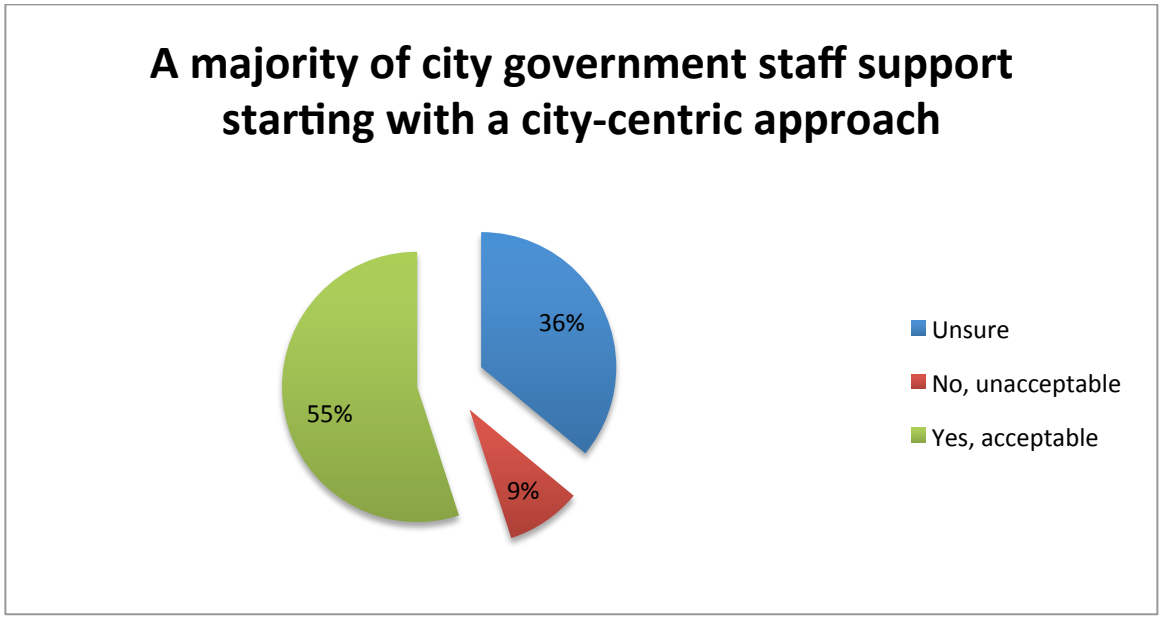
Chart 20: "Who else needs to be involved in these decisions on a regular basis?"



Source: Group 3, N=11

A clear majority support (55%) moving toward a multi-city approach after a couple of years in pilot mode. This was presented to city government staff in the following way, "A change in decision-making structure may change after the first couple of years. Sometimes this happens as organizations grow and priorities shift. It could be that in 2012-2013, there is a more city-central approach and then in 2014, decision-making becomes more multi-city focused."

Chart 21: "Is this acceptable to you?"



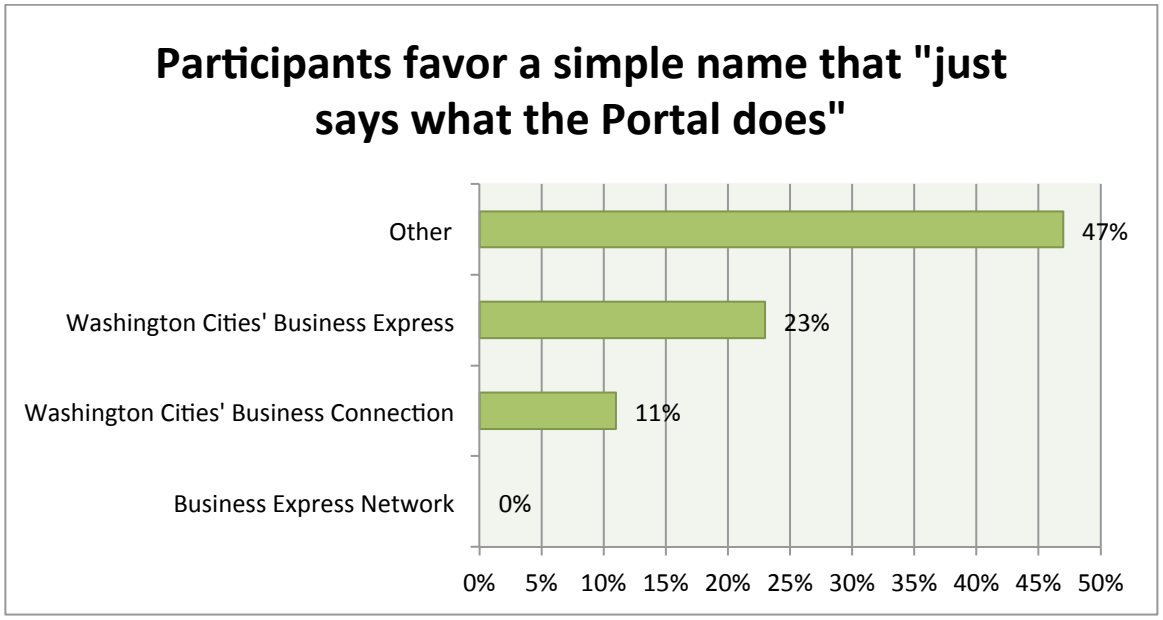
Source: Group 3, N=11

More than a third of participants were unsure what to make of potential changes to the Portal design and governance. One participant expects costs to increase if the scope of the Portal changes. She said, "I'm not sure how I would feel. I would want this system to be very cost effective, and if you make changes, I want to know how that will affect the cost." Another staff participant was supported, but predicted, "I believe this approach will work. My guess is most smaller cities with more limited resources will wait to see the structure, costs, and benefits prior to getting involved."

The final question from Day 3 asked participants to reflect on four potential names for the proposed Portal. The four names tested included: Business Express Network, Washington Cities' Business Connection, Washington Business Express and Washington Cities' Business Express. There was also an option for participants to suggest an alternative name. The most popular suggestion was to go back to the drawing board and come up with a name that is simpler, less gimmicky and explains the purpose of the Portal. Here were some of the most insightful comments:

- "This needs a name that is more descriptive of what it does. "Express" sounds like a temporary staffing agency and "connection" sounds like a professional organization that meets monthly for lunch."
- "WA Cities One Stop Tax/License System" a.k.a. WCOSTS"
- "Washington tax and license portal. A lot of cities use generic "Business" descriptions to highlight marketing or development ideas. Clarify that this is specifically for filing."
- "Yikes, I'd keep looking. It should definitely refer to "cities" since the portal isn't connecting to the state (although doing so would be logical). What about something simple and descriptive like Washington City Tax and Licensing Portal? It isn't sexy, but would at least offer a clue as to it function."

Chart 22: "A few proposed names have been suggested and we'd like to get your reaction. Please select the name that you think best represents the Portal we've been discussing so far."



Source: All Groups, N=45