



Progress Report April 2008

Dear small business owner,

Last year my office partnered with state regulatory agencies to conduct *Washington is Open for Business* roundtables with small business owners in Bellevue, Spokane, Kennewick and Vancouver.

I asked my senior leaders in the Departments of Revenue, Labor & Industries, Employment Security, and Office of Regulatory Assistance to listen to small business owners. They agreed to work collaboratively to make our rules and regulations more business friendly.

Business owners were asked which regulatory activities were currently working and which needed improvement. Desires for improvements emerged within five themes:

- assistance for small businesses;
- regulatory burden;
- use of technology and websites;
- compliance and fraud prevention and
- forms and publications.

As a result of what we heard, we have made changes to make it easier for businesses to succeed in Washington. This progress report outlines those changes.

In 2007, *Forbes*, a premier business magazine, ranked Washington 5th on its list of, “best states to do business.” Although Washington was among the top 5, we know we still have work to do. With your valuable input, together we can help Washington reach the list’s coveted top spot. After all, Washington is open for business.

The next *Washington is Open for Business* roundtables are planned for Longview, Bremerton, Everett and Wenatchee in May 2008. The Department of Community, Trade and Economic Development and Office of Minority & Women’s Business Enterprises will join the roundtables this year. Learn more about and register for the 2008 sessions at <http://www.ora.wa.gov/roundtables/default.asp>

Sincerely,

Christine O. Gregoire
Governor

1. Small Business Assistance

Issue - The state's tax requirements are confusing for some business owners.

→ What we've done

- The Departments of Revenue, Labor and Industries and Employment Security are developing web-based training about taxes for Washington businesses. The first installment of the online package is expected to launch in summer 2008. The agencies are coordinating with Small Business Development Centers to ensure the training is available to new and existing small business owners.
- State agencies host dozens of business-oriented training sessions and workshops statewide each year. Now you can find them in one place on www.Business.wa.gov. Please select the "Get training and counseling" link in the Resources section. Examples of workshops in 2007/2008:
 - The Department of Revenue is hosting numerous workshops throughout the state about the destination-based sales tax. You will find more information on the Department of Revenue website at www.dor.wa.gov.
 - L&I Contractor Training Days are popular all-in-one sessions for construction contractors held throughout the state. Get more information about these free sessions at www.Workshops.Lni.wa.gov. Please register early because they fill up fast.

→ What's next?

- Tax training will be expanded to other parts of the state via the state's Small Business Development Centers once the initial training has begun.
- The Department of Revenue is studying the option of sending the New Business information packet electronically. An analysis is scheduled to be completed by June 2008.
- L&I and Employment Security are working with a Small Business Development Center business counselor to develop introductory training for employers covering workers' compensation, workplace safety, unemployment insurance, and federal tax requirements. The first presentations are scheduled for May and June 2008 in Longview. The training will be available statewide in the future.

Issue - Business owners want a reliable source to answer questions and provide guidance.

→ What we've done

- The Departments of Revenue, Employment Security and Community, Trade and Economic Development and Office of Minority & Women's Business Enterprises (OMWBE) have each identified a small business liaison similar to the one Labor and Industries already has. Contact one of them if you need assistance.
 - Ron Langley, Labor and Industries - 360 902-4205; Toll-free 1-800-987-0145 email: SmallBusiness@L&I.wa.gov, web page at www.SmallBusiness.LNI.wa.gov
 - Rob Rice, Department of Revenue - 360 705-6600, email: RobertR@DOR.WA.GOV
 - Kathy DiJulio, Employment Security - 360 902-9663, email: KDiJulio@esd.wa.gov
 - Ken Olson, Community Trade & Economic Development (509) 944-0365, email: keno@cted.wa.gov

- Cathy Canorro, Office of Minority & Women's Business Enterprises (360) 704-1187, email: ccanorro@OMWBE.WA.GOV

→ **What's next?**

- Small business liaisons will work collaboratively to sponsor multi-agency workshops for small business entrepreneurs.
- Small business liaisons have built an inter-agency team that can quickly access information about any state issue a business owner has. Call one of them and get help from the whole team.

Issue – Business owners didn't understand what assistance and training was available to business owners if they wanted to begin exporting their products internationally.

→ **What we've done**

- Community, Trade and Economic Development provides a three day export training for businesses twice a year, once in the Spring, and then again in the Fall. A training session was held in April 2008 in Spokane.

→ **What's next?**

- The three-day Fall training will be held in western Washington in September. The specific dates and locations have not yet been determined.

→ **How do you register for this training?**

- Please register by contacting 206 256-6100.

Issue – Funding is available on a limited basis to start-ups and small business owners.

→ **What we've done**

- The Child Care Facility Fund (CCFF) was created to provide financial assistance through loans and grants to employers and child care businesses.
- The Brownfields Program provides loans to make it easier for local governments, property owners, and developers to return contaminated property to a useful purpose.
- CTED administers other federally funded loan programs to businesses. These funds are very limited in scope and include: HUD 108, Block Grant Float Loans, Rural Washington Revolving Loan Fund, Coastal Loan Fund and Forest Products Revolving Loan Fund.

→ **How does a business take advantage of this type of funding?**

- Child Care Facility Fund: Find more information at www.cted.wa.gov/ccff
- Brownfields Program: Find more information at www.cted.wa.gov/brownfields
- CTED-administered loan programs: Find more information at <http://access.wa.gov/business/financial.aspx>

Issue - OMWBE does not pre-screen applications for state certification as a minority business.

→ **What we've done**

- In January 2008 the Office of Minority & Women's Business Enterprises (OMWBE) began an application pre-screening process for completeness on all applications. Also, a more streamlined application for state certification will be available in May 2008.

→ **What's next?**

- The online certification assessment/process is being updated. The enhanced version will be on OMWBE's website in May/June 2008.

→ **Other changes we've made to enhance the pre-screening process**

- The OMWBE provides one-on-one counseling at its Seattle and Tacoma satellite offices (U. S. Small Business Administration, Bates Community College and Clover Park Technical College) to assist firms as they complete the certification application.
- The OMWBE also partners with community-based organizations to conduct certification workshops in Aberdeen, Pasco, Spokane, Wenatchee, Yakima, Tacoma, Seattle, and other locations upon request.
- The OMWBE provides an online eligibility assessment tool known as "QWIKCHEK". This short questionnaire allows firms to determine the likelihood of eligibility for certification before they start filling out the application. QWIKCHEK is currently being updated. A new version will be available in July 2008.

Issue -Local/regional resources are needed for minorities and women in business.

→ **What we've done**

- OMWBE partners with The Urban League of Metropolitan Seattle's Contractors' Development and Competitive Center (CDCC), the State's ethnic commissions (Commission on Hispanic Affairs, Commission on African American Affairs, Commission on Asian Pacific American Affairs) and Governor's Office of Indian Affairs; as well as local chambers of commerce and other advocacy groups statewide to coordinate its outreach and training to these groups' constituents. For example, OMWBE collaborates with CDCC, other government entities, and private organizations on the "Pathways" Program. This public / private partnership is creating an assessment tool to evaluate firms' capacity, identify the resources firms need to become more competitive, and guide firms to appropriate resource providers.

Other improvements we've made to assist small business owners

- **WorkSource**, a joint venture of organizations dedicated to addressing the state's employment needs, helps job seekers attain employment and assists employers in finding qualified workers. In 2007, more than 19,000 employers were served through WorkSource.
- **Construction, lodging and food industries** receive industry-specific tax education through workshops, online tutorials, and printed materials from the Department of Revenue.

- **Agricultural industry.** To improve communication and education with the agriculture community, the Department of Revenue will be providing workshops geared toward specific agricultural products. The agricultural products identified are orchards/fruit, wheat/field crops, cattle & chickens, grapes/wineries, dairy, and aquaculture. The Department plans to start these workshops in the fall of 2008.
- **Agricultural workers.** WorkSource helps growers find the workers they need for harvest. Staff can also help recruit agricultural workers. For more information, please go to <http://www.wa.gov/esd/farmworkers/employers.htm>
- **L&I Spanish-language website** – About 250 pages of the L&I website are now available in Spanish, including all workers’ compensation claims process and workplace rights information, plus selected information for workplace safety. Pages specifically focused on small business employers will be added during the next 6-8 months.
- **“L&I Basics” presentation in Spanish** – Presentation delivered in English each quarter in the Seattle area is available in Spanish for delivery by request of business organizations or advocacy groups.

Issue – Background checks for industries such as child care providers took a lot of time to process.

→ **What we’ve done**

- In November 2007, the Washington State Patrol implemented new software to:
 - allow one time entry for all mailed submissions from state agencies;
 - automate contributor billing information on electronic submissions;
 - automate the state response to contributing agencies via e-mail in a secured environment; and
 - improve monitoring of incorrect submissions by agencies.
- Before November 2007, it took 4-6 weeks to process a fingerprint based background check. Today it takes about one week.
- The Washington State Patrol Identification and Criminal History Section created new forms for agencies to use and streamlined communication regarding the status of background checks.
- As of March 30, the Washington State Patrol discontinued providing a hard copy of the electronic fingerprint submission. Today it is provided via e-mail.

2. Rules & Regulatory Burden

Issue – Business owners want specific information about legislation and rules that apply to their business.

Background: Laws and regulations are developed through a public process which includes public comment periods and hearings. In order to participate, small business owners say they need information about development of laws and regulations that is easy to find and understand.

→ **What we’ve done**

- Information about legislation can be found on the State Legislature’s website at: www.leg.wa.gov/LawsAndAgencyRules/. During the annual legislative session,

detailed information about bills that are being discussed can be found at <http://apps.leg.wa.gov/billinfo/>. A list of bills applying to a specific topic can be found using the search function on this page.

- Specific information about rules being developed by the different regulatory agencies can be found at these addresses on the Internet:
 - **Department of Labor and Industries**
 - www.lni.wa.gov/LawRule
 - E-mail alerts on rules -- Subscribe at: www.lni.wa.gov/Main/Listservs/LNIRules.asp
 - **Employment Security Department**
 - www.esd.wa.gov, then click on “News & Information” or “Laws and Regulations” at the bottom of the home page.
 - **Department of Revenue**
 - <http://dor.wa.gov/content/FindALawOrRule/>

→ **What’s next?**

- The Department of Revenue is currently digitizing all rule hearings. The hearings and rule files will be made available and searchable on the Internet by the end of 2008.
- Specific information about laws being considered by the Legislature about workers’ compensation, workplace safety and health, and construction contractor compliance will be on the Labor and Industries website starting with the 2009 legislative session.

Other improvements we’ve made to clarify rules and reduce regulatory burden

- Information about new laws and rules along with their effect on small business owners is regularly covered in the Department of Labor and Industries’ e-newsletter *L&I News for Small Business*. Subscribe at www.SmallBusiness.Lni.wa.gov.

3. Technology & Websites

Issue - Department of Revenue’s Taxpedia search engine doesn’t work well.

→ **What we’ve done**

- The Department of Revenue is enhancing its Taxpedia search engine by implementing Google® search engine technology. This technology will expand the search to the whole DOR website as opposed to information just in Taxpedia which should return more search results on a topic. The Department has targeted this to be completed by the end of 2008.

Issue - Local/Regional resources are needed for minorities and women in business.

→ **What we’ve done**

- The OMWBE is currently redesigning their website. Major upgrades will include web links to city, county, Federal and private business assistance programs. The new website is expected to be unveiled in May 2008.

Other changes we've made to use technology or improve websites

Website updates

- The Employment Security Department revamped their website, to better meet customer's needs. The simplified web pages will help users find information quickly. In addition, there is also an improved search function. To visit the department's new look, go to www.esd.wa.gov.
- The sales and use tax rate look-up tool, easily accessed from the Department of Revenue's homepage, has added the following features to better support destination-based sales sourcing:
 - A latitude/longitude look-up option.
 - A tax calculator feature.
 - Simple format for hand held devices

→ What's next?

- The Department of Revenue will be improving the matching of addresses on its tax rate look-up tool by updating the application's software. This is scheduled to be completed by June 30, 2008.
- Labor and Industries' online Small Business Center provides help from the small business liaison, training, frequently asked questions, and the small business newsletter. Visit www.SmallBusiness.Lni.wa.gov. In addition, the online "Claim and Account Center" provides employers with information and documents on workers' compensation claims, and detailed account information. Find it at www.ClaimInfo.Lni.wa.gov.
- L&I's "Express Filing," online workers' compensation quarterly report system, will undergo major improvements, making it easier to file and amend reports. A new "Quick File" feature, available in September 2008, will provide fast, easy online filing. Starting in March 2009, employers and accountants will be able to update or amend quarterly reports online.

4. Compliance & Fraud

Issue - Business owners want fraud hotlines to be more visible on websites.

→ What we've done

- www.Business.wa.gov, the state's website for small businesses, added a link in the "How do I?" section for reporting fraud and filing complaints. Visits to "Report Fraud or File a Complaint" page increased from 176 visits to the report fraud page during seven weeks prior to the change, to 923 visits during seven weeks after Report Fraud was added to the "How do I?" section.

→ How do you do it/use it?

- All types of fraud reports or other complaint forms for state agencies can be accessed in the "How do I?" section of www.Business.wa.gov.
- You may also report through the individual departments.
 - Department of Revenue: www.DOR.wa.gov, click on the "Contact Us" tab and then on the "e-mail," or you can call 1-800-647-7706.
 - Department of Labor and Industries: To report workers' compensation or contractor registration violators, go to www.Lni.wa.gov and select the

“Report Fraud” link in the Quick Links box on the right side of the home page. A toll-free fraud reporting line is also available: 1-888-811-5974.

- Employment Security Department: To report someone you believe is illegally collecting unemployment benefits, call toll-free at 866-810-0210 or 800-332-2084. A new toll-free hotline is available for reporting businesses that are evading unemployment insurance taxes: 866-266-1987 or e-mail undergroundeconomy@esd.wa.gov.

Issue - State agencies do not work closely together to investigate unregistered businesses and businesses that under-report taxes.

→ What we've done

- The 2008 Legislature passed recommendations from a business/labor Underground Economy Task Force. This legislation tightened requirements for construction contractor registration, provided penalties for violations of contractor and workers' compensation laws, added L&I enforcement staff, and requires an education campaign aimed at consumers.
- Two bills, HB3122 and SB6732, passed during the 2008 legislative session that will align the Departments of Employment Security and Labor and Industries definitions of an independent contractor in the construction industry, strengthen enforcement of existing laws, and provide funding to hire additional auditors targeted at the underground economy. The new definition takes effect June 12, 2008. Find additional information about these bills online at <http://apps.leg.wa.gov/billinfo/>. Once on the website, type in the four digit bill number and click on the Search button. It will bring up the bill history and a short overview of the bill.
- The Departments of Labor and Industries, Revenue and Employment Security adopted policies to increase oversight and regulation of underground economy practices in the construction industry.
- The Departments of Revenue, Labor and Industries and Employment Security completed cross training of staff last year on audit practices. Online training was developed to train new auditors. The three agencies also developed processes to share fraud referrals and audit referrals. In 2007 the three agencies shared over 300 individual referrals. These referrals resulted in over \$130,000 in collected taxes from businesses that were not paying their fair share.

Other changes we've made to increase compliance and reduce fraud

- **Workers' compensation and out-of-state workers** – Legislation passed in 2008 takes a step toward fair, consistent treatment of employers who have employees that work out of state or face competition from out-of-state workers. It defines when Washington workers' compensation is required for workers temporarily working out-of-state, allows the Department of Labor and Industries to make rules (with public input) for workers out-of-state for longer periods, and gives Labor and Industries a clear position from which to renegotiate workers' compensation agreements with Oregon, Idaho and other states.
- **Fair competition: Workers' compensation/construction contractor compliance.** The Department of Labor and Industries “FAIR Team” (Fraud / Audit / Infraction /

Revenue) works primarily along the I-5 Corridor (including nights and weekends) to identify:

- Unlicensed construction contractors competing against lawfully registered contractors;
- Firms that aren't paying their fair share of workers' compensation premiums or haven't paid other Labor & Industries obligations.

In 2007, the FAIR Team issued 120 infractions to unlicensed construction contractors and made referrals to auditors for unpaid workers' compensation premiums. Those referrals generated \$1.73 million in audit assessments and \$507,000 dollars collected in 2007. These dollars help to defray workers' compensation costs paid by all employers.

- **Workers' compensation fraud and abuse** -- Labor and Industries dollars collected through fraud and abuse prevention efforts have increased from \$62 million in 2002 to \$139 million in 2007, with a 9.8 to 1 return on investment in fraud prevention in 2007.

5. Forms & Publications

Issue - Businesses find language on forms and applications is complicated and complex.

→ What we've done

- The **Department of Revenue** revised the letter it mails to new business owners to make it easier for them to understand their reporting requirements. The Department is also developing proposed changes to its tax return forms to make them simpler, more understandable and easier to revise when changes in the law occur. The department plans to invite business owners to test changes to the form.
- The **Employment Security Department** is currently reviewing several tax forms and letters for "plain talk" to ensure they comply with the state's clear writing standards. The form for filing a notice of appeal and other tax and benefit decision forms have been simplified.
- The **Department of Labor and Industries** redesigned the workers' compensation annual rate notice and tested with actual customers before being put into use in December 2007. Quarterly workers' compensation "reporting" (billing) forms will be redesigned and available in 2009. L&I's *Activity Prescription Form* combines three workers' compensation forms into one, and allows an injured worker's doctor to clearly and simply tell the employer what light-duty work can be done by the worker. These changes help return an injured worker safely back to the job faster and saves money for employers. The *Applying for Your Washington Business License: A Step-by-Step Guide for Small Construction Contractors* booklet was released in late 2007 to help small construction contractors get their businesses started correctly. The step-by-step guide can be viewed online or ordered from the following website: <http://www.lni.wa.gov/FormPub/Detail.asp?DocID=2253>.

Other changes we've made to improve forms and publications

- **State "Plain Talk" program** – One of Gov. Gregoire's first executive orders was a requirement that state agencies make forms, letters, publications, and websites easier to understand. Progress on the program to date:
 - 35 cabinet agencies (i.e. those under the Governor's direct control) have Plain Talk programs.
 - More than 5,000 state employees trained.
 - More than 150 projects completed or underway.
 - 1,000 form letters and 225 forms rewritten or redesigned.
 - 1,000 web pages revised.
 - 430 larger documents revised.
 - 6 major websites overhauled.
- **Newsletters for business owners**
 - The Department of Revenue mails out *Tax Facts* twice a year. This publication provides information on new or revised rules. The June edition of *Tax Facts* also highlights legislative changes that may impact businesses. *Tax Facts* may be viewed on-line at www.dor.wa.gov. Click on "Get a form or publication" on the left side of the screen and then select "Tax Facts" in the right column under "Publications".
 - The Employment Security Department publishes *Business Update*, a quarterly tax newsletter. Newsletter topics vary, such as: how to avoid penalties, changes in law, electronic filing, and tax forms information. The latest version can be accessed on-line at www.esd.wa.gov/uitax/formsandpubs/ui-tax-forms.php.
 - *L&I News for Small Business* is Department of Labor and Industries' e-newsletter that is published quarterly. Topics include workers' compensation, workplace safety, and wage & hour rules from a small business point of view. It also provides time- and money-saving tips for business owners. Subscribe or find back issues at www.SmallBusiness.Lni.wa.gov.

Contact Us

If you have questions or comments about the improvements described in this report, please contact a small business liaison from one of the participating agencies.

Karen Pernerl	Office of Regulatory Assistance	360 902-0529
Ron Langley	Department of Labor and Industries	360 902-4205
Rob Rice	Department of Revenue	360 705-6600
Kathy DiJulio	Employment Security Department	360 902-9663
Ken Olson	Department of Community, Trade & Economic Development	509 944-0365
Cathy Canorro	Office of Minority & Women's Business Enterprises	360 704-1187

Business owners providing valuable suggestions for change

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State agencies making improvements

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