



*Bellevue ♦ Spokane ♦ Kennewick ♦ Vancouver*

## **Statewide Report Washington is Open for Business Roundtables**

### **Listening to small business owners across Washington**

Governor Gregoire invited small business owners and business association representatives to meet with agency leaders from the Departments of Labor & Industries, Revenue, Employment Security, Office of Minority and Women's Business Enterprises and the Governor's Office of Regulatory Assistance. Agency leadership used this collaborative approach to actively listen to business owners and gain feedback on their agency and the services they provide. Implementing changes that reduce regulatory requirements has made Washington a good place to do business. These roundtable events were conducted to continue reducing regulatory requirements making Washington a great place to do business, work and raise a family.

The Governor invited business owners to discuss how routine processes are working and share their thoughts about making Washington a business friendly state where it is easy and convenient for small businesses to operate. More than 180 small business owners met in May 2007 with agency directors, deputy directors, and their staff. Sessions were held in Bellevue, Spokane, Kennewick and Vancouver to talk about what is working well, what isn't working well, and suggested areas for improvement. The cities were chosen because they represent eastern and western parts of the state, border our neighboring states, and have populations of varying sizes.

### **Methods for conducting the roundtables**

Mailing lists from the participating agencies were used to invite small business owners with 20 or fewer employees to the roundtable discussions. Care was given to invite businesses that represent different industries in the state. Walk-in attendees were also welcomed. Several business organizations helped promote the event to their members.

During the events, agencies took the opportunity to supply information on the types of assistance that they currently have available for small business owners. The agencies provided brochures and fact sheets which outlined items such as: current tax incentives, electronic filing and payment systems, WorkSource program, and Labor and Industries

small business liaison. Each three-hour morning session started with small table discussions. Attendees were asked to focus on providing feedback on the following two questions:

- Question one asked business owners “what is working well today?” This exercise allowed the participating agencies the opportunity to learn from each other and copy approaches that currently work.
- Question two asked business owners “what is not working so well?” Attendees were also encouraged to provide suggestions for change.

A facilitator at each table kept the discussion moving and a note taker recorded all the comments. Each table shared major themes with all attendees at the session. The businesses were also surveyed about reasons businesses don’t survive.

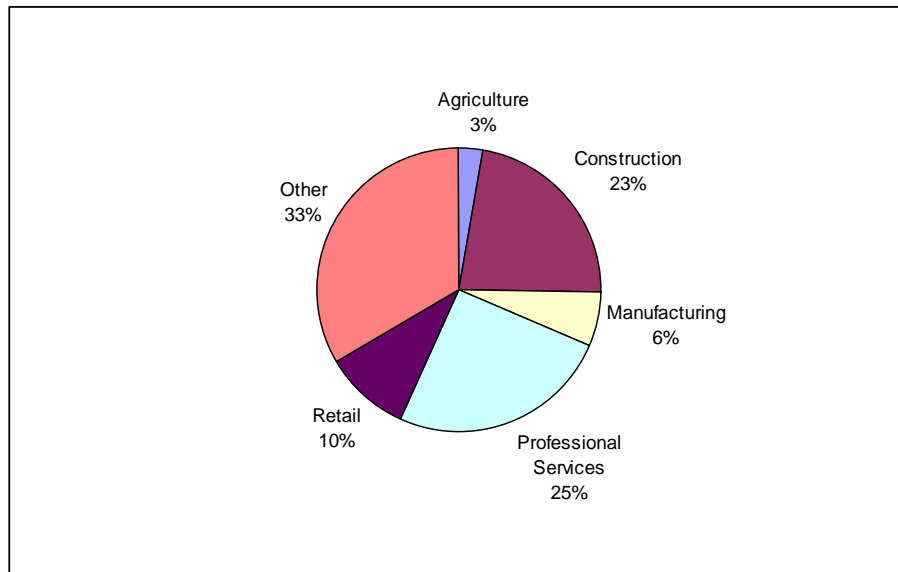
Attendees provided additional feedback in their written evaluation about what issues are most important to resolve now.

## Who attended the roundtables

The Departments of Labor & Industries, Employment Security, Revenue, Office of Minority and Women’s Business Enterprises, and the Governor’s Office of Regulatory Assistance hosted the events. Agency leadership and their staff participated at all four of the events. Members from the media and legislature were present at some events.

Business owners from various industries attended the roundtables and are listed in the table below.

Industry	Bellevue	Spokane	Kennewick	Vancouver
Agriculture	0	0	5	0
Construction	18	9	10	4
Manufacturing	4	4	0	3
Professional Services	5	15	4	22
Retail	5	4	2	7
Other	19	9	11	22
Total Attendees	51	41	32	58



## What we learned

Generally, business owners who attended want to comply with the state's regulatory requirements. However, they find the process of compliance is often complex. Feedback from roundtable attendees sorted into five themes.

1. Small Business Assistance
2. Rules & Regulatory Burden
3. Technology & Websites
4. Compliance & Fraud
5. Forms & Publications

Agency leaders reviewed the feedback and developed action plans. The plans address those improvements that can be made immediately with existing resources and those that require more information and planning. Some of the issues that were raised by the participants will need attention from more than one agency. In those situations, agency leaders have agreed to work together to investigate ways to resolve some of these more complex issues. As mentioned during opening remarks at each session, some concerns may require major changes that can only be accomplished through legislation and/or require additional funding.

Small business owners also shared their concerns about rising health insurance costs. Attendees shared a few suggestions for resolving that problem. Although the agencies participating do not have administrative authority over this issue, this feedback will be passed on to the Governor's task forces working on health insurance issues.

## 1. Small Business Assistance

### What is working today?

- Business roundtables make business owners feel like state agencies & the Governor care
- Initial point of contact with agencies is greatly improved due to more knowledgeable and informed staff at the “front line”
- Accessibility is good; you can call, email, fax – everyone can participate; keep it that way
- Employment Security and L&I are willing to listen and talk about resolving issues
- Consultative services from L&I and Revenue are very helpful
- All agencies quickly respond to questions via email & phone
- Revenue’s Call Center staff is really helpful and friendly
- During audits, the revenue auditors were helpful, knowledgeable, and pointed out things taxpayers needed to change
- Businesses like Revenue’s consultation audits
- Revenue’s outreach and collaboration with industry associations is working well

### What is not working so well today?

- Regulations and paperwork are too complex and labor intensive; businesses are not sure who to go to for help
- Businesses don’t know enough about WorkSource, Unemployment Insurance and training opportunities
- Not enough outreach and education on Streamlined Sales Tax
- Expectations for new businesses are not clear
- L&I should penalize workers who don’t follow their employers’ safety rules, not the employer.
- Business owners have a perception that WorkSource referrals are poorly screened
- Would like to see Revenue provide speakers at the Farm Bureau conference
- OMWBE should pre-screen applications for completeness
- It’s not easy to understand how to request a refund
- There is too much information to sort through; business owners want to see information targeted by industry type
- Business owners want to comply but it’s too complex today

Small Business Assistance Action Plan	
Who	What
Employment Security, Labor and Industries, and Revenue	Begin conducting joint small business tax workshops in Bellevue, Spokane, Tri-Cities and Vancouver; evaluate demand for offering workshops statewide in early 2008
Labor & Industries	Add staff support by the end of 2007 to increase capacity of Small Business Liaison to provide assistance to small business owners
	Offer updated and condensed employer workshops in late 2007 that introduce small business employers to basic workplace safety topics such as accident prevention programs (required by law) and recordkeeping

Labor & Industries (continued)	Create general checklist-style guidelines focused on new business needs and new construction contractor registrations by the end of 2007
	Develop and implement an information campaign that targets industries and worker to increase awareness and knowledge of workplace safety techniques
	By law, employers are responsible for workplace safety and the actions of their employees. In some circumstances, employers can avoid a citation if they can prove willful employee misconduct and have effectively enforced safety program. By the end of 2007, L&I will publish guidance for its inspectors on what constitutes an “effective in practice” safety program. This guidance will be made public.
Employment Security	Explore ways to increase the agency’s interaction between staff and local businesses
	Encourage more employers to list job openings with WorkSource and refer qualified applicants to those jobs
	Continue to implement new business model which helps employees find work and businesses find qualified applicants
Revenue	Continue to offer fact sheets, workshops, and online tutorials targeted to specific industries
	A comprehensive communication plan for Streamlined Sales Tax legislation has been developed. Education efforts include web resources, an online tutorial, statewide workshops, vendor fairs and demonstration projects.
	Revise the letter that is mailed to taxpayers in their new business packets making their reporting requirements clearer.
	Analyze the feasibility of allowing taxpayers the option of receiving the information contained in the New Business Packet electronically.
	Improve communication and education with the agriculture community and with the Farm Bureau; Revenue has requested the opportunity to speak at the Farm Bureau’s fall conference. The agency is also considering separate workshops with marketing assistance from the Farm Bureau and other agricultural organizations.
Office of Minority & Women’s Business Enterprises	Expand the existing pre-screening process to include all applications for certification by December 2007

## 2. Rules & Regulatory Burden

### What is working today?

- L&I’s Tax Holidays are great and happening again in July 2007

### What is not working so well today?

- Not enough advance notice to small businesses when agencies propose legislation or rule changes that impact small businesses
- Information sharing with border cities and during cross-border transactions is not strong, frequent or consistent
- Differences in taxes for border states is confusing
- Tax burden is too heavy on small businesses
  - Gas tax
  - Cross state border taxes
  - High tech taxes
- The Unemployment Insurance appeals process is unfair and hard to understand
- Businesses move to other states because they can't be competitive with Washington's high rates and fees
- Workers' compensation claims sometimes take too long to resolve
- Tax structure is too complex; there are too many tax categories
- Cost for collecting Retail Sales Tax is too high for retailers
- Lack of tax incentives for small businesses

<b>Rules &amp; Regulatory Burden Action Plan</b>	
<b>Who</b>	<b>What</b>
Revenue, Employment Security and Labor & Industries	Agencies continue to strengthen ties to business owners and business organizations by using email and online web systems to publicize proposed legislative and rule changes.
Labor & Industries	Open discussions with Oregon and Idaho about cross-border issues. Prior to discussion, seek guidance from business and labor leaders on how to do a better job protecting Washington workers and businesses when they work in those states. A workgroup is scheduled to convene in September 2007.
	Several outlets exist for information on new or revised regulations. Explore the most effective means of improving this service and making the information easier to understand and more usable by small business owners.
	Implement 2007 legislation to make vocational training more effective, including an "opt-out" choice for workers who do not want retraining
Employment Security	Implementation of 2007 legislation to reduce the amount of unemployment-insurance costs that shifted from one business to another began in April 2007 and will continue through 2010
	Explore ways to make agency's unemployment insurance appeal and decision-making processes more transparent and easy to understand; keep small business owners informed as process moves forward
Revenue	Upon request, the agency will continue its practice of providing drafting assistance to legislative sponsors for small business relief.
	Agency is looking at providing a link on its web-site so businesses can follow all bills that are of interest.

### 3. Technology & Websites

#### What is working today?

- Technology has made information available no matter what part of the state you are in; there are no geographic barriers to information
- Websites and online functions have improved dramatically and online support is helpful and responsive; information on-line saves business owners phone calls
- Electronic filing for all agencies works well
- Revenue's E-file is user-friendly, intuitive and has greatly assisted business owners in filing and paying their taxes
- Revenue's website is easy to use and search; business owners like the ability to find information on incentives, tax exemptions, and legislative changes
- Businesses like Revenue's GIS address and map look up capabilities
- Revenue's online training videos are terrific and have been helpful
- Like the ability to request penalty waiver electronically from Revenue
- Master business license online application was easy

#### What is not working so well today?

- L&I's online workers' compensation reporting system (Express Filing) is not reliable or easy to use
- Employment Security's website is hard to navigate
- Revenue's Taxpedia search engine doesn't work well
- There isn't a section on OMWBE's website that identifies all the local/regional services available for minorities and women
- Business owners are frustrated when they spend precious time entering the same information into three different agency computer systems.
- Employment Security's E-file and Fast Tax processes should be merged
- It is not easy for business owners to locate telephone numbers on websites

<b>Technology &amp; Websites Action Plan</b>	
<b>Who</b>	<b>What</b>
Labor & Industries	Enhance and update Express Filing system by June 30, 2009; improvements suggested at roundtables will be included
	Explore ways to link L&I's small business newsletter to similar communication products produced by other agencies
Employment Security	During the Summer of 2007, the agency will redesign overall website based on user-centered feedback; conduct usability testing on the online unemployment-benefits application system; improvements will be made based on the feedback
	Use agency's quarterly employer newsletter to promote the use of WorkSource and other service or information resources

Revenue	<p>A project has been initiated to look at improving the Taxpedia search engine on Revenue's web-site by Winter 2008. Enhancements would make it easier for users to find tax laws, rules, interpretative statements, tax decisions, and audit directives.</p> <p>The GIS system located on the website allows users to look up tax rate information. The agency plans to market this service and provide a link on the front and center section of the home page. The agency is also considering enhancements to the system so it's easily accessible by hand-held devices such as blackberries or Palm Pilots.</p>
Office of Minority & Women's Business Enterprises	Redesign the agency website including a section that identifies regional and local services available statewide for minorities and women in business by March 2008

#### 4. Compliance & Fraud

##### What is working today?

- Agencies recognize that most small business owners are trying to do the right thing; audit mistakes happen rather than intent to commit fraud

##### What is not working so well today?

- Some businesses don't know about Revenue's fraud hotline
- Some small businesses operate "under the table"
- There are not high penalties for unregistered businesses
- Some business owners believe some workers abuse the workers' compensation and unemployment insurance systems
- Employees are not as accountable as they need to be to the state for workplace safety violations; it is difficult to understand what L&I considers to be an effective safety program
- Business owners have a perception that Unemployment Insurance claimants don't want to work or look for work
- The state is not very aggressive in looking at compliance issues
- Agencies do not always educate before they enforce

Compliance & Fraud Action Plan	
Who	What
Revenue & Governor's Office of Regulatory Assistance	Make the fraud hotline visible on Revenue's website. Add fraud tip links to the State's business website by September 2007
Revenue, Employment Security and Labor & Industries	Agencies work closely together to investigate unregistered businesses and businesses that under-report taxes. Their efforts are paying off – for example, dollars collected from employers, workers and medical providers due to fraud or abuse of the workers' compensation system more than doubled from \$66.8 million in 2002 to \$135.4 million in 2006. Revenue has had a formal tax discovery program since 70's and during the last fiscal year, the program registered 788 businesses and worked 7,727 cases collecting \$35,460,377.



Revenue, Employment Security and Labor & Industries (continued)	In an effort to attract and keep quality auditors, the agencies have also formed a workgroup to discuss best practices for recruiting and retention.
	Agencies have partnered to form a Cross Agency Training Committee (a Governor's initiative). The agencies were cross trained on audit practices.
	Agencies will continue their efforts by serving on a Joint Legislative Task Force to set policy to increase oversight and regulation of the underground economy practices in the construction industry in Washington. The task force will submit a final report by January 1, 2008.
Labor and Industries	Under specific circumstances, an employer will not be cited for a workplace safety violation if the employer can prove willful misconduct by the worker and demonstrate that it has an effectively enforced workplace safety program. L&I is preparing more clearly defined guidance for its inspectors on what constitutes a safety program that is "effective in practice" and therefore eligible for a worker misconduct claim. This guidance will be available to employers by the end of 2007.
Employment Security	ESD formed Underground Economy Unit July 2006. ESD has more than 4 employees dedicated exclusively to investigate tips and leads, audit and enforce regulations.
	Investigate changing from a random audit to a targeted audit program
Revenue	<p>In 2007, Revenue with assistance from ESD &amp; L&amp;I completed a study on unregistered business activity in Washington. Revenue is developing a comprehensive agency action plan to respond to issues outlines in the study. And, a multi-agency team comprised of Revenue, ESD, and L&amp;I has been formed to closely coordinate efforts, share information, and improve effectiveness in dealing with the underground economy. During the past six months the team has implemented the following:</p> <ul style="list-style-type: none"> <li>• Fraud/tip line referrals</li> <li>• Individual referrals from agents/auditors via referral training and web form</li> <li>• Monthly data sharing of all businesses involuntarily registered</li> </ul>

## 5. Forms & Publications

### What is working today?

- Reporting forms are uniform in color making it easy to know which agency you are reporting to

### What is not working so well today?

- Language on forms and applications is sometimes too complicated, or processes are too long and complex

- State government jargon doesn't make sense to business owners
- Revenue's EZ form for sales tax is difficult
- Revenue's Business and Occupation Tax form is not simple
- Businesses don't have much opportunity to provide input as forms are designed
- Fill-in forms are not available
- Re-entry of information into forms is labor intensive and wastes time
- Employment Security's tax forms and letters about appeal rights are hard to understand

<b>Forms &amp; Publications Action Plan</b>	
<b>Who</b>	<b>What</b>
Labor & Industries	Consolidate three workers' compensation doctor reports into one report by September 2007
	Simplify & release annual workers' compensation rate notice announcing 2008 rates by December 2007
	Simplify instructions for workers' compensation quarterly reporting form by January 2008
Revenue	A team will redesign the agency's tax return forms using "plain talk" language. The team will also look at ways to involve business owners in the usability testing of new forms. The agency will continue to assess the need for fill-in capability as forms are created or revised.

## Next steps

A progress report will be written and distributed to business owners in April 2008. . The report will also include future action plans that agencies have developed to help address and coordinate the more complex issues that cross multiple agencies operations. Agencies are looking at hosting another round of small business meetings in Spring 2008.

## Learn More /Contact Us

You can see reports containing all comments for each city at <http://www.ora.wa.gov/roundtables/default.asp>. The Governor along with the participating agency leaders have reviewed all comments and have agreed on the action plan included in this report. If you have questions or additional comments about the roundtable discussions, please contact a person from one of the participating agencies.

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