

# HOUSE BILL REPORT

## HB 1782

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to downtown and neighborhood commercial district revitalization.

**Brief Description:** Creating main street and neighborhood commercial district revitalization.

**Sponsors:** Representatives L. Thomas, Conway, Kastama, Mason, Regala, Kessler, Wood, Blalock, Poulsen, O'Brien, Constantine, Costa, Gombosky, Smith, Sullivan, Anderson, Murray, Grant, Mastin, Cody, Lantz and Pennington.

### Brief History:

#### Committee Activity:

Trade & Economic Development: 2/2/98, 2/5/98 [DP].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Eickmeyer, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** *Business and Occupation Taxes.* Washington's major business tax is the business and occupation (B&O) tax. The tax is imposed on the gross receipts of business activities conducted within the state. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate.

*Property Tax.* Property that is subject to tax is assessed at its true and fair market value, unless the property qualifies under a special property tax exemption or deferral program.

*Sales and Use Taxes.* The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. A use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to the sales tax. Use tax is equal to the sales tax rate multiplied by the

value of the property used. The total sales or use tax rate is between 7 percent and 8.6 percent, depending on the location.

The Department of Community, Trade, and Economic Development (DCTED) provides administrative and clerical support to the states' Main Street communities and local communities undertaking downtown and commercial district revitalization efforts under its general duties and powers.

**Summary of Bill:** The Washington Main Street program is established in statute and various incentives are provided to assist in the revitalization of downtown and neighborhood commercial districts.

*Business and Occupation Tax Credit.* A Business and Occupation (B&O) tax credit is provided to businesses that make a contribution to either a local downtown/neighborhood commercial district revitalization program or the states' main street program. The business contribution may be either cash or other in-kind contribution and must be used to assist in the development and operation of a downtown or neighborhood commercial district revitalization effort.

The tax credit is based on: (1) 75 percent of the value of the contribution if made directly to a local revitalization effort; or (2) 50 percent of the value of the contribution if made directly to the Department of Community, Trade, and Economic Development (DCTED) for distribution as financial or technical assistance to assist other local revitalization efforts. The total credits allowed under the tax credit program for a local revitalization effort may not exceed \$100,000 in a calendar year. A business may not claim more than \$250,000 in tax credits in a calendar year. The total credits allowed state wide may not exceed \$2 million per calendar year.

The business must submit a request for approval that describes the contribution and its value to the department before claiming the tax credit.

*Property Tax Exemption.* A 10-year property tax exemption is provided on improvements made to commercial buildings located in an area designated as either a local downtown and neighborhood commercial district revitalization program or a local main street program by the department. The tax exemption applies to the increased valuation of the property due to the improvements to an existing building. The exemption would be for a 10-year period after completion of the improvements. In the eleventh year the building would be assessed based on the improvements.

The taxpayer must file notice of their intent to make the improvements before the improvements are made on forms prescribed by the Department of Revenue and furnished by the County Assessor. The exemption could only be claimed once in a 15-year period.

*State-Shared Sales and Use Tax.* A local legislative authority is authorized to impose a sales and use tax on retail sales within an area that is designated a partner-level– or associate-level– local revitalization program by the department. The tax may not exceed 0.2 percent and is credited against the states’ 6.5 percent retail sales and use tax.

The proceeds from the tax must be used to pay the cost for a downtown and neighborhood commercial revitalization projects in the area that include public infrastructure improvements, management and promotion of the area, maintenance and security for common or public areas, and historic preservation activities.

*Washington Main Street Program.* The Washington Main Street program is created within the department. The department must: (1) provide technical assistance to businesses, property owners, organizations, and local governments on the design and development of a local revitalization strategy and program; (2) provide financial assistance, to the extent funds are available, to local governments or local organizations to assist in start-up costs, feasibility studies, marketing studies, and design assistance; (3) develop criteria for selecting recipients of financial assistance and designation of a local program under various categories; (4) operate the main street program in accordance to the plan developed by the department, in consultation with the Washington Main Street Advisory Committee; and (5) allow certification of local revitalization programs by local governments with a population greater than 100,000.

The Washington Main Street Advisory Committee is created in the department. The advisory committee consist of 11 members appointed by the director of the department and that represent public and private sector representatives involved in downtown and neighborhood commercial district revitalization efforts. The advisory committee assists the department in the development of the plan for the operation of the Washington Main Street Program.

The Washington Main Street Trust Fund is created for the receipt of private contributions, federal funds, legislative appropriations, and fees for services, if levied. Funds in the trust fund may only be used for the operation of the Washington Main Street Program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The businesses that comprise the downtown and neighborhood commercial areas are vital economic components of our communities. The incentives will help the businesses expand. This partnership between government and the business community is a true grass roots effort.

**Testimony Against:** None.

**Testified:** Representative Les Thomas, prime sponsor (pro); Linda Johnson, Kent Downtown Association (pro); and Randy Lewis, city of Tacoma (pro).