

# HOUSE BILL REPORT

## HB 1308

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**As Reported By House Committee On:**  
Economic Development, Housing & Trade

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

**Brief Description:** Revitalizing downtown and neighborhood commercial districts.

**Sponsors:** Representatives Conway, Dunn, Dunshee, Fisher, Lantz, Kastama, Regala, Veloria, McDonald, Hurst, Pennington, Fortunato, Gombosky, Reardon, Rockefeller, Romero, O'Brien, Benson, Haigh, Kenney, Carlson, Ogden, Scott, Wood and McIntire.

**Brief History:**

**Committee Activity:**

Economic Development, Housing & Trade: 2/4/99 [DP].

**Brief Summary of Bill**

- Provides a business and occupation (B&O) tax credit for contributions made by businesses to a downtown and neighborhood commercial district revitalization program.
- Allows a city or town to impose a 0.2 percent sales/use tax on retail sales within the downtown and neighborhood commercial district that is credited against the state's retail sales/use tax.
- Creates the Washington Main Street Program within the Department of Community, Trade, and Economic Development

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### HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

**Majority Report:** Do pass. Signed by 7 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Radcliff and Skinner.

**Staff:** Kenny Pittman (786-7310).

**Background:**

The Department of Community, Trade, and Economic Development provides administrative and clerical support to the various local governments that undertake downtown and commercial district revitalization either through the Main Street program or efforts at the local government level. The department provides this assistance to local governments under its general duties and powers.

Washington's major business tax is the business and occupation (B&O) tax. Almost all businesses located or doing business in the state of Washington are subject to the state B&O tax. This includes corporations, partnerships, sole proprietors and nonprofit corporations. The B&O 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.

A 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 state and local sales or use tax rate is between 7 percent and 8.6 percent, depending on the location.

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**Summary of Bill:**

The Washington Main Street program is established in statute and various tax incentives are created to assist in the revitalization of downtown and neighborhood commercial districts.

1. Business and Occupation Tax Credit

A business and occupation (B&O) tax credit is provided to businesses that make a contribution used for the development and operation of a downtown or neighborhood commercial district revitalization program. The tax credit is based on 75 percent of the value of the contribution made to the downtown or neighborhood commercial district revitalization program. The contribution may be either cash or other in-kind contribution and must be approved by the Department of Revenue prior to claiming the tax credit. The total tax credits available statewide may not exceed 2 million in a calendar year.

2. Retail Sales and Use Tax Credit

The legislative authority of a city or town is authorized to impose a sales and use tax, not to exceed 0.2 percent, on all retail sales within downtown or neighborhood commercial revitalization districts that are designated at the "partner-level" by the Department of Community, Trade, and Economic Development. The local sales and use tax is credited against state's 6.5 percent retail sales and use tax.

The tax proceeds must be matched with local or private funds at a ratio of one dollar for every two dollars of tax proceeds. The funds must be used to pay the cost for downtown or 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.

### 3. Washington Main Street Program

The Washington Main Street program is created within the Department of Community, Trade, and Economic Development. The Department of Community, Trade, and Economic Development 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 according to the plan developed by the department, in consultation with the Washington Main Street Advisory Committee; and (5) allow certification of local downtown or neighborhood commercial revitalization programs by local governments with a population greater than 100,000.

The Washington Main Street Advisory Committee is created in the Department of Community, Trade, and Economic Development. The advisory committee consists of 11 members appointed by the Director of Community, Trade, and Economic Development and represent public and private sector representatives involved in downtown or neighborhood commercial district revitalization efforts. The advisory committee assists the Department of Community, Trade, and Economic Development 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:** Not requested.

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

**Testimony For:** There is a lot of interest in the revitalization of commercial business districts. Any reinvestment in these areas benefit not only the individual communities, but the state as a whole.

**Testimony Against:** None.

**Testified:** Representative Jim Dunn, sponsor; and Randy Lewis, city of Tacoma.