

SENATE BILL REPORT

SB 5229

As of February 3, 1999

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

Brief Description: Revitalizing downtown and neighborhood commercial districts.

Sponsors: Senators T. Sheldon, Swecker, Goings and Hale.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/8/99.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: David Schumacher (786-7474)

Background: The Department of Community, Trade, and Economic Development is responsible for assisting in community and economic development in the state; providing technical and financial assistance to local governments, businesses, and community-based organizations; soliciting private and federal grants for economic and community development programs; and conducting the necessary research and analysis to support economic and community development efforts.

The key service areas of the department are: (1) local development assistance; (2) trade and economic sectors that include tourism, film and video, business development and forest products; (3) community services that support local efforts to develop self-reliant individuals and families through prevention, intervention, technical assistance and advocacy programs; (4) housing and housing-related services; (5) growth management; (6) archaeology and historic preservation; and (7) energy.

The business and occupation (B&O) tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The tax rate varies depending on the classification of the activity.

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

The retail sales tax is imposed on the sale of most items of tangible personal property and some services purchased at retail. The state's retail sales and use tax is based on 6.5 percent of the selling price. Local governments may also impose an additional tax up to 1.7 percent; therefore, the combined state and local retail sales and use tax rate currently ranges from 7 percent to 8.2 percent.

Currently, distressed counties are allowed to levy a 0.04 percent sales tax which was credited against the state. Revenues from this tax may be used for public facilities.

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

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

Business and Occupation Tax Credit. A B&O tax credit is provided to businesses that make a contribution to either a local downtown/neighborhood commercial district revitalization program or the state's main street program located in a rural county.

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.

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 statewide may not exceed \$2 million per calendar year.

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 located in a rural county. The tax exemption applies to the increased valuation of the property due to the improvements to an existing building.

Sales and Use Tax Credit. A local legislative authority may impose a 0.2 percent sales and use tax on retail sales within a designated area credited against the state's 6.5 percent sales tax. The proceeds from the tax must be used only for costs associated with public infrastructure improvements, management and promotion of the area, maintenance and security for common or public areas, and historic preservation activities.

Appropriation: None.

Fiscal Note: Requested on January 18, 1999.

Effective Date: The bill takes effect on July 1, 1999.