

HOUSE BILL REPORT

HB 1343

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to modifying the Washington main street program by increasing the total amount of tax credits allowed under the program and making administrative changes to the program.

Brief Description: Modifying the Washington main street program by increasing the total amount of tax credits allowed under the program and making administrative changes to the program.

Sponsors: Representatives Wylie, Nealey, Appleton, Haler, Smith, Stambaugh, Sullivan, Young, Caldier, Gregerson, Hayes, Manweller, Vick, Tharinger, Klippert, Doglio, Dolan, Orwall, Dent, Stokesbary, Johnson, Stonier, Pike, Chapman, Steele and Hargrove.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/7/17, 2/9/17 [DP].

Brief Summary of Bill

- Increases the tax credit limit for the Main Street tax incentive program from \$1.5 million to \$5 million.
- Requires the equal distribution of the amount of tax credits among the local Main Street programs and the Main Street Trust Fund Account.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Ryu, Chair; Macri, Vice Chair; McCabe, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Jenkin, Reeves and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Main Street Program (Program) provides assistance for local downtown or neighborhood commercial district revitalization initiatives. The Program is operated by the Department of Archeology and Historic Preservation (Department), which provides initial site evaluations by technical specialists, training for local programs and staff, as well as design and implementation assistance to local governments and organizations for revitalization programs. The Department also may provide financial assistance for initial start-up costs for a local program.

The Department may designate local commercial district revitalization programs as a local Main Street program (local program) that qualifies the local program to participate in a tax incentive program. The qualifications are based on certain criteria. The boundaries of a local program must be approved by the Department and are generally defined by the pedestrian core of a traditional commercial district. The Department may not designate a program undertaken by a local government with a population over 190,000 people.

The tax incentive program is administered by the Department of Revenue (DOR) and allows persons making contributions to a designated local program, or generally to the Main Street Trust Fund Account (Trust Fund), to claim a tax credit on the state business and occupation tax or public utility tax. Contributions must be approved by the DOR before they are made to a local program or to the Trust Fund. The DOR approves applications for qualifying contributions on a first-come basis. The contribution must be made in the same calendar year that the contribution was approved.

The tax credit is worth:

- 75 percent of a contribution made directly to a designated program; and
- 50 percent of a contribution made to the Trust Fund.

The tax credit program has certain limits. No person may receive a tax credit over \$250,000 in each calendar year. The total tax credits allowed for each designated program may not exceed \$100,000 per calendar year. The total tax credits allowed statewide may not exceed \$1.5 million for each calendar year.

Summary of Bill:

The Main Street tax incentive program tax credit limit for contributions approved statewide is raised from \$1.5 million to \$5 million per year. The DOR must allocate the total amount of statewide tax credits equally among all local programs and the Trust Fund. Such allocations may exceed the \$100,000 limit on tax credits for a local program.

A person must make a qualifying contribution to a local program, or the Trust Fund, by November 15 of the year that the DOR approved the contribution or the tax credit is forfeited. Any forfeited credit must be made available to new applicants. A person approved after November 15 must make the contribution by the end of the same calendar year.

The Joint Legislative Audit and Review Committee (JLARC) must provide a 10-year review to the act regarding participation of small businesses in the Program. If the JLARC review

determined by 2027 that the number of small businesses has decreased, then the act expires by 2028.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Program invests in communities and provides opportunities for local economic development and self-sufficiency. The small investment in the tax credit program provides a high return rate. The funding produces tangible benefits in improved aesthetics and infrastructure, which attracts new jobs and businesses, especially for small businesses.

There are 34 local programs currently in the state competing for the same contributions under the current contribution limits. Raising the limit will promote continued growth and expansion of the Program. The first-come, first-served donation program makes donors race each other to make their donations in order to qualify for a tax credit. Changing the deadlines will allow more opportunities for people to participate in the Program.

(Opposed) None.

Persons Testifying: Chris Moore, Washington Trust for Historic Preservation; Tim Callison, City of Langley; Dana Ralph, Kent City Council; Chelsea Hagar, City of Gig Harbor and City of Pasco; and Amber Carter, Identity Clark County.

Persons Signed In To Testify But Not Testifying: None.