
Finance Committee

HB 1279

Brief Description: Modifying the Washington main street program tax incentive to respond to the economic impacts of the COVID-19 pandemic.

Sponsors: Representatives Rule, Ramel, Bateman, Boehnke, Shewmake, Chapman, Ryu, Johnson, J., Wicks, Senn, Hoff, Walen, Peterson, Hackney, Rude, Callan, Leavitt, Vick and Harris-Talley.

Brief Summary of Bill

- Expands the total business and occupation (B&O) tax or public utility tax (PUT) credit allowed under the Main Street Tax Incentive program to 90 percent, for contributions made to a designated local program beginning in calendar year 2021.
- Expands the total tax credits allowed statewide to \$4 million and for each designated local program to \$160,000 for the Main Street Tax Incentive program.
- Expands the total B&O tax or PUT credit allowed under the Main Street Tax Incentive program to 90 percent, for contributions made to a designated local program in calendar year 2020.
- Allows any tax credits earned under the Main Street Tax Incentive program as a result of contributions made in calendar year 2020 to be carried over until December 31, 2023.
- Removes any program, taxpayer, or statewide limits on the amount of tax credits provided under the Main Street Tax Incentive program for credits earned as a result of contributions made in calendar year 2020.
- Extends the expiration of the Main Street Tax Incentive program until January 1, 2032.

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

Hearing Date: 2/1/21

Staff: Nick Tucker (786-7383).

Background:

Business & Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent (businesses with taxable income of less than \$1 million) or 1.75 percent (businesses with taxable income of \$1 million or more) for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Washington Main Street Program.

The state Main Street Program (Program) provides technical assistance for local comprehensive downtown or neighborhood commercial district revitalization initiatives. The Department of Archeology and Historic Preservation (DAHP) operates the Program through a contract with the Washington Trust for Historic Preservation. The DAHP provides initial site evaluations by technical specialists, training for local programs and staff, and design and implementation assistance to local governments, businesses, organizations, and property owners undertaking revitalization initiatives. The DAHP also may provide financial assistance for initial start-up costs for a local program.

The DAHP may designate local downtown or neighborhood commercial district revitalization programs and official local Main Street programs (local programs) for such assistance based on certain criteria including:

- the degree of interest and commitment to comprehensive downtown or neighborhood commercial district revitalization and historic preservation by both the public and private sectors;
- the evidence of potential private sector investment in the downtown or neighborhood commercial district;
- a downtown or neighborhood commercial district with sufficient historic fabric to become a foundation for an enhanced community image;
- the capacity of the organization to undertake a comprehensive program and the financial commitment to implement a long-term downtown or neighborhood commercial district revitalization program that includes a commitment to employ a professional program manager and maintain a sufficient operating budget;
- the DAHP's existing downtown revitalization program's tier system; and

- the National Main Street Center's criteria for designating official Main Street cities.

The DAHP may not designate a program undertaken by a local government with a population over 190,000 people.

Washington Main Street Program Tax Incentives.

Designation of a nonprofit organization with the sole mission of revitalizing a downtown or neighborhood commercial district area by the DAHP as a local program qualifies that program to participate in the state Main Street Tax Incentive program.

The Main Street Tax Incentive program is administered by the Department of Revenue (DOR) and allows persons making contributions to a local program, or generally to the state Main Street Trust Fund Account (Trust Fund), to claim a B&O tax credit or a PUT credit. The contribution must be made in the same calendar year that the contribution was approved.

The tax credit is equal to:

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

The tax credit must be claimed in the calendar year immediately following the calendar year in which the credit was approved, and the contribution was made. Credits may not be carried over to subsequent years or refunded.

The Main Street Tax Incentive program has certain limits and is provided on a first-come basis. No person may receive a tax credit over \$250,000 per calendar year. The total tax credits allowed for each designated local program may not exceed \$100,000 per calendar year. The total tax credits allowed statewide may not exceed \$2.5 million per calendar year.

The Main Street Tax Incentive program expires January 1, 2028, if a review by the Joint Legislative Audit and Review Committee finds the number of businesses that are a part of Main Street communities is not equal to or more than the number that were a part of Main Street communities prior to January 1, 2018.

Summary of Bill:

Washington Main Street Program Tax Incentives.

Beginning with contributions made in calendar year 2021 to a designated local program, an additional 15 percent B&O or PUT tax credit is provided.

The total tax credits allowed for each designated local program may not exceed \$160,000 per calendar year. The total tax credits allowed statewide may not exceed \$4 million per calendar year.

For contributions made to a designated local program in calendar year 2020, an additional 15

percent B&O or PUT tax credit is provided. Any credits earned as a result of contributions made in calendar year 2020 may be carried over until December 31, 2023. Any limits on the amount of tax credits received by an individual taxpayer, generated from a designated local program, or provided by the statewide program, do not apply to credits earned as a result of contributions made in calendar year 2020.

The Main Street Tax Incentive program expires January 1, 2032.

Appropriation: None.

Fiscal Note: Available.

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