

HOUSE BILL REPORT

ESB 5336

As Reported by House Committee On:

Local Government
Finance

Title: An act relating to population criteria for the main street trust fund tax credit.

Brief Description: Concerning the main street trust fund tax credit.

Sponsors: Senators Cleveland, Wilson, L., Frame and Mullet.

Brief History:

Committee Activity:

Local Government: 3/15/23, 3/21/23 [DP];

Finance: 3/30/23, 3/31/23 [DP].

Brief Summary of Engrossed Bill

- Provides that, for purposes of the Main Street Tax Credit Incentive Program population thresholds, the local government population is determined at the time a program is designated as eligible for the Main Street Program by the local government.
- Makes technical changes to clarify the process for making a timely contribution to the Main Street Program.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 7 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Goehner, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Berg, Griffey and Riccelli.

Staff: Elizabeth Allison (786-7129).

Background:

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.

Business and Occupation Tax.

The business and occupation (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. The B&O tax rate varies by classification such as retailing, wholesaling, manufacturing, or other specialized service.

Public Utility Tax.

The public utility tax is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the B&O tax. There are different rates depending on the specific utility activity.

Washington Main Street Program.

The Washington Main Street Program (Program) was established in 2005 to work in partnership with business and property owners in downtown and neighborhood commercial districts in rural and urban communities. The program is implemented by the Department of Archaeology and Historic Preservation (Department) to do the following:

- provide technical assistance and training to local governments, business organizations, and property owners undertaking a downtown and neighborhood commercial district revitalization initiative and management strategy;
- to the extent that funds are made available, provide financial assistance to local governments or local organizations to assist in initial downtown or neighborhood commercial district revitalization program start-up costs, specialized training, specific project feasibility studies, market studies, and design assistance;
- develop objective criteria for selecting recipients of assistance and funds, which shall include priority for downtown or neighborhood commercial district revitalization programs located in a rural county, and provide for designation of local downtown or neighborhood commercial district revitalization programs and official local Main Street programs (local programs) under the Program;
- operate the Program in accordance with the plan developed by the Department, in consultation with the Washington Main Street Advisory Committee; and
- consider other factors the department deems necessary for the implementation of the Program.

Organizations must be officially designated a Washington Main Street community by the Program to be eligible to receive contributions through the Main Street Tax Credit Incentive Program. The Department may designate 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 Department's existing downtown revitalization program's tier system; and
- the National Main Street Center's criteria for designating official Main Street cities.

The Department may not designate a program undertaken by a local government with a population over 190,000 people at the time of designation.

Main Street Tax Credit Incentive Program.

The Main Street Tax Credit 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, to claim a B&O tax credit or a public utility tax credit. The contribution must be made in the same calendar year that the contribution was approved. The tax credit is limited to an amount equal to:

- seventy-five percent of the approved contribution made by a person to the program; or
- fifty percent of the approved contribution made by a person to the Main Street Trust Fund Account.

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.

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 \$160,000 per calendar year. The total tax credits allowed statewide may not exceed \$5 million per calendar year.

Summary of Bill:

For purposes of the Main Street Tax Incentive Program, the population limit of 190,000 is determined at the time that the Department designates the program. The process by which a person approved for a tax credit under the Main Street Tax Incentive Program must provide the approved contribution to the DOR is clarified as follows:

- An approved person must send the total approved contribution by November 15 of the calendar year in which the application is approved.
- If November 15 does not fall on a business day, the payment of a contribution will be considered timely if it is sent on the next business day.

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) Last year there was a bill that clarified population requirements for the Program. This bill is important to the city of Vancouver to ensure that the city can continue forward as part of the Program. This is a technical fix that solves an omission that the DOR noticed last year. It is important to have a strong and vibrant main street because it supports and encourages economic development and thriving communities. Without the Program, many of the amenities enjoyed by the city of Vancouver would not be available.

(Opposed) None.

Persons Testifying: Senator Annette Cleveland, prime sponsor; Michael Walker, Vancouver Downtown Association; and Brian Enslow, City of Vancouver.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

Staff: Kristina King (786-7190).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:

No new changes were recommended.

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) This bill is a cleanup bill to last year's Senate Bill 5617 and clarifies that the city of Vancouver and any other city, if designated as a Main Street Community, to remain a Main Street Community in perpetuity, irrespective of population growth. There is no fiscal impact. It clarifies that the \$200,000 that goes to support the Vancouver Downtown Association and the work they support with the public art, murals, and other programs will continue to be funded.

(Opposed) None.

Persons Testifying: Brian Enslow, City of Vancouver.

Persons Signed In To Testify But Not Testifying: None.