

SENATE BILL REPORT

ESHB 2306

As of February 19, 2024

Title: An act relating to allowing main street programs to use remaining main street tax credits after a certain date.

Brief Description: Allowing main street programs to use remaining main street tax credits after a certain date.

Sponsors: House Committee on Finance (originally sponsored by Representatives Steele and Callan).

Brief History: Passed House: 2/15/24, 90-0.

Committee Activity: Ways & Means: 2/20/24.

Brief Summary of Bill

- Allows Main Street programs to access an additional \$90,000 of unallocated contribution credits in excess of the program cap of \$160,000.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tianyi Lan (786-7432)

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.

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

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specific utility activity.

Washington Main Street Program. The state Main Street Program (program) was established in 1984 and 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. 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. DAHP also may provide financial assistance for initial start-up costs for a local program.

DAHP may designate local downtown or neighborhood commercial district revitalization programs and official local Main Street 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;
- DAHP's existing downtown revitalization program's tier system; and
- the National Main Street Center's criteria for designating official Main Street cities.

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.

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. Beginning with contribution made in calendar year 2021, the tax credit is equal to:

- 75 percent of a contribution made directly to a designated local program; and
- 75 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 Credit Incentive Program has certain limits and is provided on a first-come basis. DOR must allocate tax credits between the second Monday in January and April 1st of the same year. No person may receive a tax credit over \$250,000 per calendar year. The total tax credits allowed for each program may not exceed \$160,000 per calendar year. The total tax credits allowed statewide may not exceed \$5 million per calendar year. The credit expires January 1, 2032.

Summary of Bill: As of October 1st, the fourth business quarter of each year, DOR must allow Main Street programs to use any remaining statewide contribution credits available under the \$5 million statewide cap up to an additional \$90,000 per program. This creates an annual cap of \$250,000 per program.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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