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## Finance Committee

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### HB 2306

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

**Sponsors:** Representatives Steele and Callan.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Allows a Main Street program to use remaining Main Street Tax Credits at the end of the calendar year.</li></ul>
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**Hearing Date:** 2/2/24

**Staff:** Kristina King (786-7190).

**Background:**

Business and 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 specific utility activity.

Washington Main Street Program.

The Washington Main Street Program (Program) was established in 2005 to work in partnership

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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.

#### 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 75 percent of the approved contribution made by a person to the Program or 50 percent of the approved contribution made by a person to the Main

Street Trust Fund Account.

The Main Street Tax Incentive Program has certain limits and is provided on a first come, first served 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. The credit expires January 1, 2032.

**Summary of Bill:**

Between October 1st and December 31st of the same calendar year, the fourth business quarter, DOR must allow individual programs to use any remaining statewide credits available under the \$5 million statewide cap. All programs, whether or not they have exceeded the individual cap of \$160,000 per calendar year, are eligible.

**Appropriation:** None.

**Fiscal Note:** Requested on January 22, 2024.

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