

FINAL BILL REPORT

ESHB 2306

C 93 L 24
Synopsis as Enacted

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).

House Committee on Finance
Senate Committee on Ways & Means

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) provides technical assistance for local comprehensive downtown or neighborhood commercial district revitalization initiatives. The Program is implemented by the Department of Archaeology and Historic Preservation (Department), which provides initial site evaluations, training for local programs and staff, financial assistance for local program startup costs, and design and implementation assistance to local governments, businesses, organizations, and property owners undertaking revitalization initiatives.

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.

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.

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).

Main Street Tax Credit.

The Main Street Tax Credit 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 contributions made in calendar year 2021, the tax credit is equal to 75 percent of a claimant's contribution made directly to a designated local program and 75 percent of a claimant's contribution made to the Main Street Trust Fund Account.

The credit 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. The credit expires January 1, 2032.

Summary:

During the fourth business quarter of each year, the DOR must allow local 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 local program.

Votes on Final Passage:

House 90 0

Senate 48 1

Effective: June 6, 2024