

# SENATE BILL REPORT

## SB 5135

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As Reported by Senate Committee On:  
Agriculture, Water, Trade & Economic Development, February 9, 2017  
Ways & Means, March 30, 2017

**Title:** An act relating to modifying the Washington main street program by increasing the total amount of tax credits allowed under the program and making administrative changes to the program.

**Brief Description:** Modifying the Washington main street program by increasing the total amount of tax credits allowed under the program and making administrative changes to the program.

**Sponsors:** Senators Rivers, Rolfes, Zeiger, Walsh, Angel, Keiser, Mullet, Cleveland, Hunt, Bailey, King, Warnick, Brown, Fain, Ranker, Van De Wege, Conway and Wellman.

**Brief History:**

**Committee Activity:** Agriculture, Water, Trade & Economic Development: 1/26/17, 2/09/17 [DPS, w/oRec].

Ways & Means: 2/15/17, 3/30/17 [DP2S, w/oRec].

**Brief Summary of Second Substitute Bill**

- Increases the tax credit limit for contributions made statewide and makes administrative changes to the Main Street Program.

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**SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT**

**Majority Report:** That Substitute Senate Bill No. 5135 be substituted therefor, and the substitute bill do pass.

Signed by Senators Warnick, Chair; Hawkins, Vice Chair; Chase, Ranking Minority Member; Wellman, Assistant Ranking Minority Member; Brown, McCoy, Pearson, Short, Takko and Van De Wege.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Honeyford.

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

**Staff:** Greg Vogel (786-7413)

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5135 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Billig, Conway, Darneille, Fain, Keiser, Miloscia, Padden, Pedersen, Rivers, Schoesler, Warnick and Zeiger.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Carlyle and Hasegawa.

**Staff:** Dean Carlson (786-7305)

**Background:** The Main Street Program (Program) was created in 2005 to provide technical assistance for local comprehensive downtown or neighborhood commercial district revitalization initiatives. The Program is operated by the Department of Archeology and Historic Preservation (Department).

The Department provides initial site evaluations by technical specialists, training for local programs and staff, as well as design and implementation assistance to local governments and organizations for revitalization programs. The Department also may provide financial assistance for initial start-up costs for a local program.

The Department may designate local comprehensive downtown or neighborhood commercial district revitalization programs and official local Main Street programs based on certain criteria. The boundaries of a local program must be approved by the Department and are generally defined by the pedestrian core of a traditional commercial district. The Department may not designate a program undertaken by a local government with a population over 190,000 people.

The Main Street Trust Fund Account receives private contributions, federal funds, and legislative appropriations for the operation of the Main Street Program.

Private contributions made to the Main Street Program Trust Fund or a designated local Main Street program are eligible for a business & occupation tax or public utility tax credit. The credit is valued as follows:

- 75 percent of a contribution made directly to a designated program in a city under 190,000; and
- 50 percent of a contribution made to the Main Street Trust Fund.

No person may receive a tax credit over \$250,000 in each calendar year. The total tax credits allowed for each designated program may not exceed \$100,000 per calendar year. The total tax credits allowed statewide may not exceed \$1.5 million for each calendar year.

**Summary of Bill (Second Substitute):** The tax credit limit for contributions made statewide is raised to \$2.5 million. The following administrative changes are made to the Program:

1. The Department may not accept any applications before the second Monday in January of each calendar year.
2. Between the second Monday in January and March 31st of the same calendar year, the Department must evenly allocate the amount of statewide credits allowed under the Program, based on the total number of programs and the Main Street Trust Fund as of January 1st in the same calendar year.
3. The Department may not approve contributions for a program or the Main Street Trust Fund that would cause the total amount of approved credits for a program or the Main Street Trust Fund to exceed the allocated amount.
4. A person that was approved for a credit must make the total approved contribution by November 15th of the calendar year in which the application is approved.
5. The Program expires January 1, 2028, if a review by the Joint Legislative Audit and Review Committee finds that 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 the enactment of the tax preference.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):**

- Reduces the amount of statewide business and occupation (B&O) tax credits in a year allowed from \$5 million to \$2.5 million.
- Clarifies that the amount of credits allocated to a program is a maximum of \$100,000.

**EFFECT OF CHANGES MADE BY AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT COMMITTEE (First Substitute):**

- Changes "small business" to "business" as referred to in the tax preference performance statement.
- Adds an effective date of January 1, 2018.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill takes effect on January 1, 2018.

**Staff Summary of Public Testimony on Original Bill (Agriculture, Water, Trade & Economic Development):** *The committee recommended a different version of the bill than what was heard.* PRO: This bill allows support for the development and growth of small businesses in the downtown core areas of small communities. The demand for the Program is so strong that once it opens, the funds are spent immediately. The number of programs has increased to 34, with the cap on the Program being fully extinguished. Increasing the cap allows for growth. Local communities have reported the success of the Program, but have

also expressed frustration with funds running out and support the increase of the statewide limit.

**Persons Testifying (Agriculture, Water, Trade & Economic Development):** PRO: Senator Ann Rivers, Prime Sponsor; Chris Moore, WA Trust for Historic Preservation; Randall Smith, Kent Downtown Partnership; Seth Normington, Waterville Main Street; Amber Carter, Client, Identity Clark County.

**Persons Signed In To Testify But Not Testifying (Agriculture, Water, Trade & Economic Development):** No one.

**Staff Summary of Public Testimony on First Substitute (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: This program helps our cities throughout the state and helps local business. This helped new signage and a restroom in Kennewick. It helps the downtown areas important to our cities. Mt. Vernon has greatly benefited from this program. This has economic development benefits. Eighteen new businesses have opened in Mt. Vernon since getting this funding. The main street program is a benefit to our state. Currently, there are 35 entities eligible for the credit, so there is room for growth. Life after B&O has allowed the Kent downtown partnership to gain funds for events and programs that bring people downtown. This bill cleans up the allocation process.

**Persons Testifying (Ways & Means):** PRO: Senator Ann Rivers, Prime Sponsor; Don Britain, City of Kennewick Mayor Pro Tem and AWC Secretary; Jill Boudreau, Mayor, City of Mt. Vernon; Chris Moore, WA Trust for Historic Preservation; Fred Satterstrom, Kent Downtown Partnership; Amber Carter, Client: Identity Clark County.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.