

## WASHINGTON STATE'S MAIN STREET TAX CREDIT INCENTIVE PROGRAM

Since 2005, the Main Street Tax Credit Incentive Program has provided Business & Occupation (B&O) tax or Public Utility Tax (PUT) credits for contributions given to eligible downtown revitalization initiatives in the state of Washington. After receiving approval from the Department of Revenue, a business may receive a credit for 75% of the value of a contribution made to an eligible Washington Main Street Community or 50% of the value of the contribution made to the Main Street Trust Fund.

Have you participated in the Main Street Tax Credit Incentive Program in the past and are curious about the changes taking effect in January 2018? Look to the **green text** throughout this document for more information.

### **What do we need to do in order to seek contributions from businesses wishing to take advantage of the tax credit incentive program?**

Organizations must be officially designated a Washington Main Street Community by the Washington State Main Street Program (WSMSP) to be eligible to receive contributions through the Main Street Tax Credit Incentive Program (MSTCIP). Application forms for designation are available annually and due on October 31. Application forms are available on the Washington Trust for Historic Preservation and the Washington State Department of Archaeology & Historic Preservation websites. This form includes information about eligibility requirements.

### **Does an organization have to reapply for designation each year?**

WSMSP does not anticipate that organizations will need to reapply each year. However, there are documents and information that must be submitted on both a quarterly and annual basis to maintain eligibility. Organizations will also need to reapply if changes occur that could potentially affect their eligibility status (e.g., purpose, boundaries, and general activities).

### **How much can each eligible organization receive through the MSTCIP each year?**

Each organization has a cap of \$100,000 in credits each year. This amounts to \$133,333.33 in contributions from their donors. **However, for the first quarter of each year, the individual organization's cap is based on an even allocation method, wherein the total statewide cap (\$2.5 million) is divided by the number of eligible organizations and the Main Street Trust Fund. WSMSP will inform all eligible organizations of the first quarter cap each year. On April 1, eligible organizations may receive additional contributions, if funds are still available under the statewide cap, up to the \$100,000 individual cap.**

## **Should a designated organization look at contributions received through the tax credit incentive program as a source of stable and ongoing funds?**

No, credits to a particular business are not guaranteed – the total statewide allocation is **\$2.5 million** per year – and approvals are given each year on a first come basis.

## **How does a business request the credit?**

A business must be registered to file its state excise tax return(s) electronically in order to take advantage of the tax credit and may do so any time prior to applying for the credit. Go to the Department of Revenue's (DOR) website: [www.dor.wa.gov](http://www.dor.wa.gov) and click on "E-file and Online Services." Once a business is registered, they will be able to apply for the tax credit electronically through the DOR website. Keep in mind the tax credit request must be approved by DOR. Businesses can donate immediately but will receive a confirmation letter from DOR within forty-five (45) days of request.

## **How many tax credits is a business eligible to receive each year?**

A business may apply for up to \$250,000 in credits each year.

## **Our City government does not have a local Business and Occupation (B&O) tax. Does this matter?**

The credit pertains to State taxes only, so whether your City has a local tax is not a factor.

## **What kinds of businesses pay a Public Utility Tax (PUT)?**

Most PUT-paying businesses undertake transportation or communications activities, or supply energy, natural gas, or water.

## **Do tax credit contributions received by a designated organization have to be spent within the calendar year they are received?**

No.

## **Are all businesses eligible to take advantage of the Main Street Tax Credit Incentive Program?**

Because this answer is rather complex, the best thing to do is simply ask a potential contributor whether they pay a B&O tax or PUT. A business will be able to take advantage of the program as long as they have a State B&O tax and/or State PUT liability each year after all other credits are taken, such as the small business tax credit (available for businesses whose total B&O tax liability is less than \$71 a month), and the multiple activities tax credit (available for certain manufacturers, extractors, and sellers). In addition, service businesses that have non-retail activities with a total annual gross income under \$56,000 or public utility businesses with a total annual gross income under \$24,000 may not owe PUT or B&O taxes. There are also businesses performing certain activities which are exempt from paying PUT or B&O tax and, as such, would not be able to take advantage of this program (e.g., real estate transactions, certain nonprofit activities, and others). **Business selling cannabidiol (CBD) and hemp products are eligible to participate in the MSTCIP.**

## **Do businesses get to take the tax credit in the same year that it is approved?**

No, a business may use the approved credit by reporting it on any excise tax return(s) filed during the calendar year following the year in which it was approved and contributed. However, in order for a business to use the full amount of the tax credit they are taking, they must have accrued a State B&O tax/PUT liability equal to, or exceeding the amount of the credit. A credit cannot be carried forward from year-to-year nor can a credit be refunded if the B&O tax/PUT liability is not equal to, or greater than, the credit amount approved for use in that year.

## **Does a business need to reapply for the tax credit each year?**

Yes. **Applications will be accepted beginning on the second Monday of January each year.**

## **How does a business make their contribution to the eligible community?**

A business that successfully requests credit through the DOR website must **make their contribution to the designated community by November 15 of that same year.**

## **Can a business spread out their contribution throughout the year?**

Yes. However, a business that does not make the total approved contribution by November 15<sup>th</sup> (or the next available business day) forfeits all approved credits for the contributions. Those credits will be made available to new applicants.

## **What if a business cannot fulfill their pledge?**

If a business cannot make the full approved contribution, they must contact the Department of Revenue's Taxpayer Account Administration Division at 360-705-6214 or Chase Johnson at 360-705-6066 to determine whether they will cancel their original pledge entirely or cancel and reapply at a lower amount. In the event a pledge is cancelled, the concerned eligible organization may contact Chase with a substitute donor to apply for the cancelled amount to avoid credits becoming generally available to the whole of the network.

## **Will a designated organization need to provide receipts to businesses for their contributions?**

Yes, the designated organization will also need to keep a record of contributions for at least five years to meet Department of Revenue requirements.

## **Does the designated organization need to report received contributions?**

Yes, designated organizations report received contributions to WSMSP throughout the year. Contributions must be reported as received in order for the donor business to receive credit for their contribution.

## **Can a business receive goods or services, like a membership, for their contribution?**

No. Contributions are subject to WAC 458.20.169(5)(C)(iii) which states, "The term contributions includes grants, donations, endowments, scholarships, gifts, awards, and any other transfer of money or other property by a donor, provided the donor receives no significant goods, services, or benefits in return for making the gift."

## **Can a business request their contribution be used for specific programs or purposes?**

Yes. Contributions are donations to Main Street non-profits and according to WAC 458.20.169(C)(iii), donors can place restrictions on how their donations are used by a non-profit organization. However, these restrictions cannot result in a direct benefit to the business as WAC 458.20.169(C)(iii) states, "It is not unusual for the person making a gift to require some accountability for how the gift is used as a condition for receiving the gift or future gifts. Such gifts remain exempt, provided the 'accountability' required does not result in a direct benefit to the donor".

## **Are there any restrictions on what a designated organization can do with contributions they receive as a result of the tax incentive program?**

Contributions received through this program must be used to meet the designated organizations sole mission of revitalizing an identified and approved traditional downtown or neighborhood commercial district area. Also keep in mind there are rules about what nonprofits can do with any contribution they receive. Contact the nonprofit division of the IRS at 1-877-829-5500 for more information, or download [Publication #557](#) (pg. 21-22) and [Tax Information for Contributors](#) from the IRS ([www.irs.gov](http://www.irs.gov)).

## Questions?

Contact the Washington State Main Street Program at 206-624-9449.