



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

Intended audience: state businesses

Nov. 7, 2017

Main Street tax credit increased

The statewide annual Main Street tax credit increases from \$1.5 million to \$2.5 million. This starts January 1, 2018. In addition to increasing the statewide credit, several changes were made to the program, including:

- The Department of Revenue (department) opens the online application process the second Monday in January
- For the first quarter of each year, the individual organization's cap is based on an even allocation method
- Credit forfeiture for businesses that do not make the total approved contribution by November 15

Under the Main Street Tax Incentive Program, businesses can contribute to local downtown organizations participating in the Washington State Main Street Program or to the Main Street Trust Fund. In return, businesses receive a credit against their Business and Occupation (B&O) or Public Utility Tax (PUT) liability. The credit equals 75% of the contribution made to a qualifying non-profit organization in the Main Street Program or 50% of the contribution made to the Main Street Trust Fund.

Example: If a business contributes \$1,000 to a qualifying Main Street Community, they may receive a \$750 tax credit the following calendar year. If they contribute to the Main Street Trust Fund, they may receive a \$500 tax credit.

(See [Substitute Senate Bill \(SSB\) 5977 \(Part I, Chapter 37, Laws of 2017 3rd sp. Sess.\)](#)), RCW Chapter 82.73.

Who qualifies for the credit?

Businesses contributing to a qualifying Main Street Community or the Main Street Trust Fund are eligible for a credit against their B&O or PUT tax liability. Businesses must e-file with our department to qualify for the credit.

How to apply for the credit

To receive a credit, businesses must apply with the department beginning the second Monday in January. When applying for the tax credit, a business needs to know how much it intends to contribute and to which Main Street Community or the Main Street Trust Fund.

Our department must approve the credit before contributing to a qualifying Main Street Community or to the Main Street Trust Fund. Our department must approve or deny applications within 45 days. We approve applications on a first-come basis.

Credit limits

Approved businesses that claim the credit may receive either:

- 75% of the approved contribution made to a qualifying Main Street Community other than the Main Street Trust Fund
- 50% of the approved contribution made to the Main Street Trust Fund

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

The total credits allowed for contributions made to each qualified Main Street Community may not exceed \$100,000 in a calendar year (\$133,333.33 in contributions).

For the first quarter of each year, the qualified Main Street Community's cap is based on an even allocation method—the total statewide cap of \$2.5 million is divided by the number of eligible Main Street Communities and the Main Street Trust Fund.

Example: Assuming there are 33 approved Main Street Communities and the Main Street Trust Fund eligible for the contribution, the first quarter cap is limited to \$73,529.41 ($=\$2,500,000/34$) in allowable credits for each Main Street Community and the Main Street Trust Fund.

The department evenly allocates the credits between the second Monday of January through March 31 of each year. On April 1, eligible Main Street Communities may receive additional contributions based on the following:

- a first-come basis,
- if funds are still available under the statewide cap, *and*
- up to the \$133,333.33 individual Main Street Community cap.

How to use the credit

A business must make their total approved contribution to the designated Main Street Community or Main Street Trust Fund by November 15 of the same year they applied for the credit. If a business misses the November 15 deadline, the credits are forfeited and become available to new applicants.

A business that we approve for credit after November 15 must make the total contribution by the end of the calendar year in which the contribution was approved.

A business may use the credit by reporting it on any excise tax return(s) that is due during the calendar year following the year in which it was approved and contributed. However, for a business to use the full tax credit, they must have a state B&O tax/PUT liability equal to or exceeding the amount of the credit. Credits cannot be carried forward from year-to-year or refunded.

Questions?

Visit dor.wa.gov or call 1-800-647-7706.

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