



MAIN STREET TAX CREDIT INCENTIVE PROGRAM JUST THE FAQs

8/15/08 Update

1. Do we need to be a certified Main Street™ program in order to seek contributions from businesses wishing to take advantage of the new tax credit incentive program?

Your organization does not need to be a Main Street program, but it must be a Downtown Revitalization Tier System member, meet certain requirements, and be officially designated by the Main Street Program to be eligible. Application forms for designation can be filled out at any time and are available on the Washington State Main Street Program (WSMSP) website. This form includes information about eligibility requirements.

2. If we are already a Downtown Revitalization Tier System Network member, do we need to fill out an application form and be officially designated?

Yes.

3. 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 and click on "E-file and Online Services." Once a business is registered, they will be able to request the tax credit electronically through the DOR website. Keep in mind the tax credit request must be approved prior to making a contribution to a designated organization.

4. 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.

5. 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. However, Public Utility Districts and Municipal Utilities do not have authority to participate in this program.

6. Do tax credit contributions received by a designated organization have to be spent within the calendar year that it's received?

No.

7. 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, page 20 and #578, pages 20 and 21 from their website (www.irs.gov).

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

No, even though there is no expiration date to the tax incentive program, credits to a particular business are not guaranteed – the total statewide allocation is \$1.5 million per year – and approvals are given each year on a first come basis.

9. Are all businesses eligible to take advantage of the new 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 \$28,000 or public utility businesses with a total annual gross income under \$24,000 may not have to pay 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).

10. 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.

11. Does a business need to reapply for the tax credit each year?

Yes. Applications will be accepted on a first come basis beginning January 1 of each year.

12. Does an organization have to reapply for designation each year?

Main Street does not anticipate that organizations will need to reapply each year. However, there are documents and information that must be submitted on an 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, general activities).

13. 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.

14. Can a business spread out their contribution throughout the year?

Yes.