
Housing Committee

HB 2625

Brief Description: Providing tax relief to promote employer-assisted housing.

Sponsors: Representatives Springer, Ericks, Williams and Liias.

Brief Summary of Bill

- The Employer Assisted Housing Program is created to provide homeownership counseling and housing-related financial assistance to employees of employers who make financial contributions to the program (or to employees of other specific beneficiary entities). The program will be administered by the Housing Finance Commission (HFC).
- A \$.50 credit against the state Business and Occupation tax liabilities is created for every \$1 contributed by an employer to the Employer Assisted Housing Program.

Hearing Date: 1/24/08

Staff: Robyn Dupuis (786-7166).

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. Revenues are deposited in the State General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Housing Finance Commission:

The Washington State Housing Finance Commission (HFC) was created by the Legislature in 1983, however it is not a state agency. The HFC does not receive state funds, it does not lend state funds, and the state is not liable for any of the HFC's debt. The HFC acts as a financial

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conduit of federal funds and has the authority to issue bonds for the development of affordable housing and non-profit facilities. To date, the HFC has financed more than 126,000 affordable housing units and elderly beds across the state and 127 nonprofit facilities.

The HFC Homeownership Activities:

The HFC is required in statute to provide a downpayment assistance program to veterans and a housing finance program for income eligible first-time homebuyers. Although not required in statute, the HFC periodically develops supplemental programs to provide additional assistance to other specific targeted populations including teachers, low-income rural residents, residents of a specific area, and disabled individuals. The HFC homeownership programs offer below-market-rate loans and down payment assistance, and also allow homebuyers to qualify for mortgages with higher loan ratios and pay less closing costs than under conventional loan programs. The HFC has provided over 38,000 loans for homeownership since 1983.

Summary of Bill:

New B&O Tax Credit

A \$.50 credit against the state Business and Occupation Tax liabilities is created for every \$1 contributed by an employer to the "Employer Assisted Housing Program" administered by the Housing Finance Commission (HFC). Credit may be claimed for contributions after the effective date of the act but before the credit's expiration date of July 1, 2015. The total amount of credits claimed statewide may not exceed \$1 million each year.

Employer Assisted Housing Program

Employer contributions to the HFC's Employer Assisted Housing Program will be used for "qualified housing benefits" which could include homebuyer counseling or direct financial assistance such as downpayment or closing cost assistance or one-time rent assistance. The HFC must certify that the employer is located in a jurisdiction that has active plans and programs related to the promotion of affordable housing.

Beneficiaries of Housing Benefits

Employees that can receive benefits are limited to individuals making no more than 120 percent (or 150 percent in high cost areas*) of the median family income for the county or the state median income. Qualified employees are employees of the employer or employees of a qualified beneficiary entity which consists of nonprofit corporations, school districts, cities, towns, counties, public hospitals and state universities.

If the HFC is unable to distribute the full amount of an employer's contribution within 36 months to the employer's employees, the HFC will use the excess monies to provide benefits to a qualified beneficiary entity designated by the employer or by the HFC.

Reporting and Program Evaluation

The HFC must report on the program's activities, outcomes and performance measures (to be created in conjunction with the Department of Revenue and the Joint Legislative Audit and Review Committee (JLARC)) annually to the appropriate committees of the legislature.

The JLARC must conduct a program evaluation 36 months after the inception of the program.

Sunset Review - Sections are added to the Washington Sunset Act (43.131).

The B&O tax credit Employer Assisted Housing Program shall be terminated on July 1, 2015.

The JLARC must conduct a sunset review one year before the credit expires (expiration date July 1, 2015).

** High Cost Area: means a county where the third quarter median house price for the previous year as reported by the Washington Center for Real Estate Research at Washington State University is equal to or greater than 130 percent of the statewide median house price published during the same time period.*

Appropriation: None.

Fiscal Note: Requested on January 14, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.