

# SENATE BILL REPORT

## SJM 8019

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As Passed Senate, February 14, 1998

**Brief Description:** Requesting federal funds for housing finance.

**Sponsors:** Senators Winsley and Prentice.

**Brief History:**

**Committee Activity:** Financial Institutions, Insurance & Housing: 1/28/98 [DP].  
Passed Senate, 2/14/98, 48-0.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

**Majority Report:** Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

**Staff:** Stan Pynch (786-7401)

**Background:** In the Tax Reform Act of 1986, Congress set limits on tax-exempt private activity bonds available for each state, effective January 1, 1988. The limit is based on each state's population, not to exceed \$50 per capita per calendar year. While the limit increases with the growth in each state's population, there is no inflationary adjustment. As a result, the purchasing power allowed under the cap has decreased each year since 1988. The cumulative loss in purchasing power in Washington State has been approximately 46 percent over the ten-year period. The cap for 1996 was slightly more than \$267 million.

The Department of Community, Trade, and Economic Development (CTED) is responsible for administering the bond allocation for Washington State. Allowable bond uses include industrial revenue bonds, public utility districts, housing, and local government projects such as mass commuting, utilities, and waste treatment and disposal that include a level of private activity which makes them subject to the cap. According to CTED, the supply of tax-exempt private activity bond volume is inadequate to meet the demands of the state. The demand for any one bond use category, such as housing or local government projects, often exceeds the total capacity available for all allowable categories in a given year.

Similarly, the Tax Reform Act of 1986 restricted low-income housing tax credits to \$1.25 per capita per calendar year. Again, no inflationary adjustment has been allowed since 1988, resulting in a 46 percent loss in purchasing power. The Housing Finance Commission administers the low-income housing tax credit program which provides housing (multi-family only in Washington State) for residents with incomes at or below 60 percent of the median. The 1996 limit for tax credits was approximately \$6.6 million. The number of applications for low-income housing tax credits received by the commission is generally about three times the allowable limit.

Currently, legislation is before Congress to increase both the private activity bond cap and low-income tax credits by amounts approximately equal to the loss in purchasing power over the past ten years. Proposed legislation would also provide for future inflationary adjustments. Approximately eight states have so far enacted memorials requesting that Congress restore the purchasing power of the private activity bond cap and the low-income housing tax credits, and index future increases to inflation.

**Summary of Bill:** The United States Congress is requested to increase immediately the tax-exempt private activity bond volume cap and the allocation of low-income housing tax credits available to each state, including Washington, to levels that would fully restore purchasing power to January 1, 1988 levels. It is further requested that the bond volume cap and the tax credit limits both be indexed to increases in inflation for future years.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** No one.