

# HOUSE BILL REPORT

## HB 2267

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### As Reported By House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to a tax credit for financial institutions assisting victims of certain natural disasters.

**Brief Description:** Providing a tax credit to institutions that forgive loans to landslide victims.

**Sponsors:** Representatives Doumit, Mielke, Hatfield, Pennington, Romero, Haigh, DeBolt, Kenney, Eickmeyer, Santos, Kessler and Rockefeller.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 4/15/99 [DPS].

#### Brief Summary of Substitute Bill

- A tax credit and Community Reinvestment Act consideration are available to financial institutions that forgive loans on residences in landslide disaster areas.

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## HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean; Cairnes; Santos and Talcott.

**Staff:** Charlie Gavigan (786-7340).

### Background:

When the President declares a disaster, the affected area has access to a variety of federal disaster assistance programs. These programs include: (1) assistance to public agencies to survey the damage and make repairs to public infrastructure damaged in the disaster; (2) grants to public agencies for hazard mitigation to reduce

future disaster damage; (3) low interest loans through the federal Small Business Administration (SBA) to businesses and individuals to repair or replace damaged private property not covered by private insurance; and (4) other programs through the federal Department of Housing and Urban Development (primarily for persons with low and moderate incomes), unemployment assistance, and a variety of counseling programs. The Emergency Management Division of the state Military Department administers a significant portion of federal emergency management assistance. Several state agencies provide assistance in federal disaster areas, and also provide assistance to disaster areas that have been declared emergencies by the Governor but have not been designated as such by the President.

To access low interest loans through the SBA to purchase new residences, a disaster victim must determine what he or she is going to do about loans on the previous residence affected by the disaster.

Financial institutions pay a business and occupation tax on an adjusted gross income as described by rule at the service rate of 1.5 percent.

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### **Summary of Substitute Bill:**

A business and occupation tax credit is allowed for a financial institution that forgives all or part of the principal balance of a loan on a residence that is or will be a total loss or is or will be permanently uninhabitable because of a landslide that has been declared an emergency by the Governor. The tax credit is 25 percent of the amount forgiven, up to a maximum credit per loan of \$50,000.

If less than the total principal balance is forgiven, the financial institution may claim the credit only if the partial forgiveness is part of a plan to assist multiple victims of the disaster and involves multiple financial institutions in a pooling or other arrangement.

The tax credit is available on loans or parts of loans forgiven after the effective date of the act.

Participating in this tax credit program also qualifies as a favorable activity under the Community Reinvestment Act.

### **Substitute Bill Compared to Original Bill:**

The substitute bill removes the requirement that the landslide area also be declared a federal disaster by the President, and adds Community Reinvestment Act consideration.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** Communities and residents that are affected by major landslides need assistance. This bill is an enticement to bring lenders to the table and to provide an incentive for lenders to forgive loans so that the residents can start over and get on with their lives. Consideration should be made to giving credit under the Community Reinvestment Act as an additional incentive; this costs nothing. Also, a federal disaster declaration should not be required.

**Testimony Against:** None.

**Testified:** Representative Doumit, prime sponsor; Representative Pennington and Representative Hatfield, sponsors; Rick Meeks; Doug Robinson, city of Kelso; Scott Gaspard, Washington Savings League; and Greg Pierce, Washington Mortgage Lenders.