

February 22, 1999

**BILL ANALYSIS**

TO: Members, Committee on Economic Development, Housing and Trade

FROM: Jean Ann Quinn, Counsel (786-7310)

RE: **HB 1565 - Providing tax credits for contributions to an employer-assisted housing program for qualified employees.**

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**Brief Summary of Bill**

- Provides business and occupation tax credits to businesses that administer employer-assisted housing programs for qualified employees that are first-time home buyers

**BACKGROUND:**

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is levied on the gross proceeds of sale or the gross income of a business, without any deduction for the cost of doing business. The tax rate varies depending on the type of activities the business is engaged in and therefore may be subject to more than one rate.

The Washington State Housing Finance Commission was created in 1983. The purpose of the commission is to stimulate the production of affordable single family, multifamily, and special needs housing through the: (1) issuance of tax-exempt or taxable nonrecourse revenue bonds; (2) administration of federal low-income housing tax credit program; and (3) administration of other programs authorized under federal and state law.

**SUMMARY:**

A total of two million dollars of business and occupation tax credits are made available each fiscal year on a first-come basis to businesses that administer employer-assisted housing programs for qualified employees that are first-time home buyers.

An employer-assisted housing program is housing assistance provided by an employer as part of the benefits package given to its nonmanagement employees, including closing cost assistance, mortgage guarantees, group mortgage insurance, mortgage origination assistance, down payment assistance, mortgage interest rate buy down, and direct cash contributions. Qualified employees are those first-time home buyers with an income less than 115 percent of the median income of the county where the home is located or the state median income, whichever is higher. First-time home buyer– is defined as a person or household who has not previously owned his or her personal residence in the last three years.

The Washington State Finance Commission is required to administer the program, and must adopt rules, in consultation with the Department of Revenue, for its implementation. Credit is given to businesses in an amount equal to 100 percent of the contribution made for employer-assisted housing programs. The commission is required to process amounts submitted for credit and notify the Department of Revenue and the business of these amounts. Up to two million dollars of tax credit is available each fiscal year on a first-come– basis. Priority is determined by the date the Department of Revenue receives notice from the commission of the application for credit. The Department of Revenue must keep a running total of credits approved and notify the commission when the two million dollar fiscal year limit is reached. Once the limit is reached, the commission must notify subsequent applicants that no more applications will be accepted.

No business is eligible for tax credits in excess of the amount of tax otherwise due. The credit must be claimed by the due date of the last tax return for the calendar year in which the payment is made. Approved credit may not be carried over to subsequent years, and refunds will not be given in lieu of credits.

The commission must report each year to the Governor and the Legislature with respect to the number of businesses participating in the program, the number of persons using the

housing assistance, and the amount and form of assistance provided.

Appropriation: None.

Fiscal Note: Requested 2/22/99.

Effective Date: Ninety days after adjournment of session in which bill is passed.