

HOUSE BILL REPORT

HB 1565

As Reported By House Committee On:
Economic Development, Housing & Trade

Title: An act relating to providing business and occupation tax credits to businesses that provide assistance to qualified first-time home buyers.

Brief Description: Providing tax credits for contributions to an employer-assisted housing program for qualified employees.

Sponsors: Representatives Veloria, Cairnes, G. Chandler, Clements, Dunshee, Ogden, Rockefeller, Kenney, O'Brien, Wood, Murray, Santos, Hurst, McIntire and Regala.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 2/23/99, 2/26/99 [DP].

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.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: Do pass. Signed by 11 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

Staff: Jean Ann Quinn (786-7310).

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 the federal low-income housing tax credit program; and (3) administration of other programs authorized under federal and state law.

Summary of Bill:

A total of \$2 million of B&O 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 \$2 million 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 \$2 million 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 on February 22, 1999.

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

Testimony For: This legislation is an effort to assist some of the people who are first-time home buyers. There was recently a newspaper article stating that we are currently experiencing a large increase in terms of inflation regarding housing. The bill attempts to help people who are trying to purchase their first home in this type of housing climate.

Testimony Against: None.

Testified: Representative Veloria, prime sponsor.