

# SENATE BILL REPORT

## SB 6559

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As Reported By Senate Committee On:  
Financial Institutions, Housing & Consumer Protection, January 24, 2006

**Title:** An act relating to tax credits for contributions to low-income housing efforts.

**Brief Description:** Providing tax credits for contributions to low-income housing efforts.

**Sponsors:** Senators Delvin, Fairley, Benton, Keiser, Brandland, Benson, Schmidt, Berkey, McAuliffe and Kline.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 1/24/06 [DP-WM].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benson, Finkbeiner, Franklin, Keiser and Schmidt.

**Staff:** Jennifer Arnold (786-7471)

**Background:** It is the public policy of Washington State to assist in making affordable and decent housing available state-wide. It is believed that currently there is a shortage of such housing, despite ongoing efforts, and that a program providing tax credits to taxpayers making contributions to low-income housing assistance programs would ensure a source of further aid towards providing affordable housing.

The business and occupation (B&O) tax is imposed on the gross receipts of business activities conducted within the state. Generally, as Washington State does not have an income tax, there are no deductions from the B&O tax for labor, materials, taxes, or other business expenses, unless the business qualifies for certain exemptions, deductions, or credits.

The public utility tax is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the business and occupation (B&O) tax.

**Summary of Bill:** Tax credit program created. A tax credit is created for contributions approved by the Department of Revenue (DOR) that are made to the Housing Trust Fund or a federally-recognized 501(c)(3) nonprofit organization that builds homes and provides homeownership opportunities. This tax credit is allowed against the taxpayer's B&O or public utility taxes.

The amount of the tax credit allowed is 75 percent of an approved contribution made to a 501 (c)(3) organization or 50 percent of an approved contribution made to the Housing Trust Fund.

Limitations on the total amount of tax credit allowed. Not more than \$250,000 in tax credits will be allowed for contributions to any one approved home ownership organization in a calendar year. Further, an eligible taxpayer is not allowed more than \$500,000 in tax credits per calendar year. The total amount of the credit claimed in any calendar year cannot exceed the lesser of: (1) the amount of the approved credit, or (2) 75 percent of the amount of the contribution made to a 501 (c)(3) organization and 50 percent of the amount of the contribution made to the Housing Trust Fund.

The DOR must keep a running total of all approved credits under this program and not approve any credits that would cause the total to exceed \$1,500,000 statewide in any calendar year. Applications will be approved on a first-come basis.

Tax credits cannot be carried over to subsequent years and no refunds are allowed.

Tax Credit Application Process.

A person claiming the tax credit is required to electronically file with DOR all returns, forms, and other information required by the department. The application with the department for the tax credit must be made prior to making a contribution. DOR will rule on the application's approval within 45 days.

Applications for this tax credit will not be accepted until January 1, 2007.

**Appropriation:** None.

**Fiscal Note:** Requested on January 12, 2006.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For:** A B&O tax credit such as this would greatly contribute to our state's efforts to provide low-income housing. A decent home is vital to children's health, education, and stability in the community. Many organizations, such as Habitat for Humanity, are working towards meeting these needs, but with the expense of labor and material costs, these efforts could be better supported by a tax credit, allowing community leaders to give more generously. This is a win, not only for the private business sector, but because it would also maximize the public dollars that address this important issue.

**Testimony Against:** None.

**Who Testified:** PRO: Senator Delvin, prime sponsor; Bryan Wahl, Washington Realtors; Maureen Howard, Habitat for Humanity.