

SENATE BILL REPORT

SB 5630

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 14, 2007

Title: An act relating to financing community and economic development.

Brief Description: Clarifying how cities, towns, counties, public corporations, and port districts may participate in the federal new markets tax credit program.

Sponsors: Senators Kastama, Kohl-Welles, Kauffman, Kilmer and Jacobsen.

Brief History:

Committee Activity: Economic Development, Trade & Management: 2/07/07, 2/14/07 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: Do pass.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Clements, Kauffman and Shin.

Staff: Jacob White (786-7448)

Background: The federal Community Renewal Tax Relief Act of 2000 authorized tax credits for up to \$15 billion in investments under the U.S. Treasury Department's New Markets Tax Credits (NMTC) Program to stimulate capital investment in low-income and economically distressed areas through Community Development Entities (CDEs).

A CDE is a domestic corporation or partnership, created or controlled by a public, private, or nonprofit entity that has a primary mission of serving and providing investment capital in low income communities. A CDE must maintain accountability to residents of low-income communities through its representation on a governing or an advisory board, and must be certified as a CDE by the U.S. Treasury.

Certified CDEs are eligible to compete nationally for an allocation of NMTCs, and, if successful, may offer taxpayers who make qualified equity investments in the CDE a federal income tax credit equal to 39 percent of the cost of the investment. In turn, the CDE must use the investment for community development projects in low-income or economically distressed areas. Because the investors benefit from the tax credits, they provide low cost financing to local project developers, including grants and below-market-rate loans.

For calendar year 2007, the federal government will allocate tax credits for \$3.9 billion in investments to CDEs nationwide.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: Cities, towns, counties, public corporations, and port districts are authorized to create partnerships and limited liability companies, and enter into public or private agreements, to implement the federal New Markets Tax Credit Program.

Appropriation: None.

Fiscal Note: Requested on February 2, 2007.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill presents a valuable and rare opportunity for the state. The legislation would enable cities, counties, and their public development authorities to participate more fully in the Federal New Markets Tax Credits program. It would enable specified local entities to control and participate in the formation of CDEs. The New Markets Tax Credit program has already contributed to the completion of several projects in the state.

Persons Testifying: PRO: David Foster, Foster Government Relations.