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**HOUSE BILL 2991**

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**State of Washington 64th Legislature 2016 Regular Session**

**By** Representatives Farrell, Riccelli, Jinkins, Robinson, Bergquist, Gregerson, Pollet, Kuderer, Ryu, Frame, Tarleton, Moscoso, Tharinger, Cody, Fey, Sells, Appleton, Reykdal, Ortiz-Self, Wylie, S. Hunt, Kagi, Hudgins, Moeller, Ormsby, and Peterson

AN ACT Relating to improving the fairness of Washington's tax system by narrowing the deduction for income received on real estate loans; amending RCW 82.04.29005; adding a new section to chapter 82.32 RCW; and adding a new section to chapter 43.135 RCW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec.**  RCW 82.04.29005 and 2012 2nd sp.s. c 6 s 101 are each amended to read as follows:

(1) Amounts received as interest on loans originated by a person ((~~located in more than ten states~~)) that is not a community bank, or an affiliate of such person that is not a community bank, and primarily secured by first mortgages or trust deeds on nontransient residential properties are subject to tax under RCW 82.04.290(2)(a).

(2) For the purposes of this ((~~subsection [section]~~)) section, a person is located in a state if:

(a) The person or an affiliate of the person maintains a branch, office, or one or more employees or representatives in the state; and

(b) Such in-state presence allows borrowers or potential borrowers to contact the branch, office, employee, or representative concerning the acquiring, negotiating, renegotiating, or restructuring of, or making payments on, mortgages issued or to be issued by the person or an affiliate of the person.

(3) ((~~For purposes of this section:~~)) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Affiliate" means a person is affiliated with another person, and "affiliated" has the same meaning as in RCW 82.04.645((~~; and~~)).

(b) "Community bank" means a person with assets of ten billion dollars or less.

(c) "Interest" has the same meaning as in RCW 82.04.4292 and also includes servicing fees described in RCW 82.04.4292(4).

NEW SECTION. **Sec.**  A new section is added to chapter 82.32 RCW to read as follows:

(1) By the last workday of the second and fourth calendar quarters, the state treasurer must transfer the amount specified in subsection (2) of this section from the general fund to the education legacy trust account. The first transfer under this subsection (1) must occur by December 31, 2016.

(2) By December 15th and by June 15th of each year, the department must estimate the increase in state general fund revenues from the changes made under section 1 of this act for the current and prior calendar quarters and notify the state treasurer of the increase.

NEW SECTION. **Sec.**  A new section is added to chapter 43.135 RCW to read as follows:

RCW 43.135.034(4) does not apply to the transfers under section 2 of this act.

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