
HOUSE BILL 2089

State of Washington

69th Legislature

2026 Regular Session

By Representatives Scott, Springer, Parshley, Ryu, Simmons, Berry, Street, Thomas, Ormsby, Obras, Reeves, Macri, Fosse, Hill, Pollet, and Salahuddin

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1 AN ACT Relating to supporting wildfire mitigation by modifying
2 RCW 82.04.29005, concerning taxes on loan interest; amending RCW
3 82.04.29005; adding a new section to chapter 82.32 RCW; creating new
4 sections; and providing an effective date.

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

6 NEW SECTION. **Sec. 1.** INTENT. (1) It is the intent of this act
7 to restore funding to Washington state's wildfire response, forest
8 restoration, and community resilience account ("wildfire response
9 account").

10 (2) The legislature finds that:

11 (a) When the wildfire response account was created by chapter
12 298, Laws of 2021 (Second Substitute House Bill No. 1168, RCW
13 76.04.505), the legislature committed a biennial investment of \$125
14 million to this account to fund wildfire preparedness. The account
15 was created without a dedicated revenue source. Funding for the
16 wildfire response account was reduced by 50 percent at the start of
17 the 2025-2027 fiscal biennium. In a public statement of July 25,
18 2025, at the site of the Burdoin fire near the Columbia River Gorge,
19 Governor Ferguson said "this is a reminder of the need for those
20 resources."

1 (b) In RCW 76.04.505, the legislature found that "[fire]
2 suppression costs are only a small portion of the impact [of
3 wildfires] to the state budget." The legislature finds that funding
4 wildfire preparedness activities under RCW 76.04.511(3) saves the
5 state substantially in post facto costs stemming from infrastructure
6 wreckage, reduced real estate valuation, insurance claims, and
7 adverse health outcomes.

8 (c) In chapter 6, Laws of 2012 2nd sp. sess., (Engrossed Senate
9 Bill No. 6635), the legislature extended a tax preference to defined
10 "community banks," enabling them to receive a business and occupation
11 tax deduction for the interest they received on certain loans.
12 "Community banks" were defined in statute, RCW 82.04.29005, as
13 "persons or an affiliate of such persons located in ten or fewer
14 states." The legislature indicated that this tax preference was
15 intended to stimulate lending activity in Washington's residential
16 housing market via local financial institutions, and to do so without
17 violating the federal interstate commerce clause. Under RCW
18 82.04.4292, a subsequent 2015 review of the tax preference by the
19 joint legislative audit and review committee recommended modifying
20 this tax preference, "if the Legislature determines the preference is
21 [not] focused on the pool of lenders the Legislature intended."

22 (d) The 2024 department of revenue report "Impact of Revenue
23 Alternatives" demonstrated that 65 percent of the beneficiary savings
24 resulting from this tax preference (\$91.6 million of a total \$141
25 million in taxpayer savings in 2023) went to placeless financial
26 institutions, not the "community" lenders the legislature intended to
27 support with its 2012 tax preference. These and other large financial
28 institutions benefiting from the tax preference are more likely to
29 conduct a greater share of their business transactions via data
30 centers that consume large amounts of water on vast plots of
31 deforested land, exacerbating climatic warming trends which increase
32 the frequency of forest fires.

33 (e) The legislature finds the statutory definition of a
34 "community bank" may in any case violate the interstate commerce
35 clause: An arbitrary definition of "ten or fewer states" would appear
36 to discriminate against certain financial institutions on the basis
37 of how much business they conduct across American states.

38 (f) To harmonize the impact of the first mortgage interest
39 deduction with the legislature's intent, the joint legislative audit
40 and review committee's 2015 revisitation of this tax preference

1 recommended tying the statute definition of a "community bank" to the
2 working federal definition (a bank with \$10 billion or fewer in
3 assets). The legislature finds that newly subjecting certain
4 financial institutions to the Washington state business and
5 occupation tax would create revenues to both the state general fund
6 and to the state workforce education investment account, and that
7 workforce development investments for forest fire mitigation
8 activities was core to the creation of the wildfire response account
9 under RCW 76.04.511(7).

10 (g) This act aligns the state definition of a "community bank"
11 with the federal definition, then directs general fund revenues
12 resulting therefrom into the state's wildfire response account.

13 NEW SECTION. **Sec. 2.** This act may be known and cited as the
14 wildfire alleviation support act.

15 **Sec. 3.** RCW 82.04.29005 and 2012 2nd sp.s. c 6 s 101 are each
16 amended to read as follows:

17 (1) Amounts received as interest on loans originated by a person
18 (~~located in more than ten states~~), or an affiliate of such person,
19 and primarily secured by first mortgages or trust deeds on
20 nontransient residential properties are subject to tax under RCW
21 82.04.290(2)(a).

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

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

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

31 (3) For purposes of this section:

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

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

36 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32
37 RCW to read as follows:

1 (1) By October 15, 2027, and by each October 15th thereafter, the
2 department must estimate any increase in state general fund revenue
3 collections for the immediately preceding fiscal year resulting from
4 the modification of RCW 82.04.29005 under section 3, chapter . . . ,
5 Laws of 2026 (section 3 of this act). The department must promptly
6 notify the state treasurer of these estimated amounts.

7 (2) Beginning November 1, 2027, and by each November 1st
8 thereafter, the state treasurer must transfer from the general fund
9 the estimated amount determined by the department under subsection
10 (1) of this section for the immediately preceding fiscal year into
11 the wildfire response, forest restoration, and community resilience
12 account under RCW 76.04.511.

13 (3) The department may not make any adjustments to an estimate
14 under subsection (1) of this section after the state treasurer makes
15 the corresponding distribution under subsection (2) of this section
16 based on the department's estimate.

17 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2026.

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