

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 2089**

Chapter 131, Laws of 2026

69th Legislature  
2026 Regular Session

BUSINESS AND OCCUPATION TAX ON RESIDENTIAL LOAN INTEREST—WILDFIRE  
RESPONSE ACCOUNT

EFFECTIVE DATE: July 1, 2026

Passed by the House February 13, 2026  
Yeas 52 Nays 40

LAURIE JINKINS

**Speaker of the House of  
Representatives**

Passed by the Senate March 11, 2026  
Yeas 27 Nays 21

DENNY HECK

**President of the Senate**

Approved March 23, 2026 10:16 AM

BOB FERGUSON

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2089** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

March 23, 2026

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 2089**

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Passed Legislature - 2026 Regular Session

**State of Washington                      69th Legislature                      2026 Regular Session**

**By** House Finance (originally sponsored by Representatives Scott, Springer, Parshley, Ryu, Simmons, Berry, Street, Thomas, Ormsby, Obras, Reeves, Macri, Fosse, Hill, Pollet, and Salahuddin)

READ FIRST TIME 02/09/26.

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 through defined "community banks," and to do so  
17 without 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 immense 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 that the current statutory definition  
34 of a "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 in and across American states.

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

1 2015 revisitaton of RCW 82.04.4292 and 82.04.29005 recommended  
2 narrowing the intended target of the tax preference therein, perhaps  
3 by adjusting the statute definition of a "community bank," or by  
4 making the preference a function of certain kinds of data about  
5 mortgages. The legislature finds that thusly subjecting certain  
6 financial institutions to the Washington state business and  
7 occupation tax would create revenues, some to the state workforce  
8 education investment account, and that workforce development  
9 investments for forest fire mitigation activities were core to the  
10 creation of the wildfire response, forest restoration and community  
11 resilience account under RCW 76.04.511(7).

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

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

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

21 (2) For the purposes of this (~~subsection [section]~~) section, a  
22 person is (~~located in a state~~) a high volume mortgage lender if:

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

26 (~~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~~) The person is a  
31 specified financial institution as defined in RCW 82.04.29004; or

32 (b) The person has an annual closed mortgage origination volume  
33 of at least \$10,000,000,000 reported under the federal home mortgage  
34 disclosure act in the previous calendar year.

35 (3) For purposes of this section:

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

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

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

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

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

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

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

Passed by the House February 13, 2026.

Passed by the Senate March 11, 2026.

Approved by the Governor March 23, 2026.

Filed in Office of Secretary of State March 23, 2026.

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