

SENATE BILL REPORT

SB 6457

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 3, 1998

Title: An act relating to providing business and occupation tax credits for financial institutions making qualified donations for first-time home buyer assistance.

Brief Description: Providing business and occupation tax credits for financial institutions making qualified donations for first-time home buyer assistance.

Sponsors: Senators Winsley, Hale, Long, Kline, Franklin, Patterson, Thibaudeau, Goings and Oke; by request of Governor Locke.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/28/98, 2/3/98 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6457 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: Dave Cheal (786-7576)

Background: Assistance to first-time home buyers is thought to be effective because it starts the individual or family on an equity building path, has personal income tax advantages and gives people a greater stake in their communities.

For many low and moderate income renters, the biggest barrier to home ownership is the cost of a down payment and closing costs.

Summary of Substitute Bill: Ten million dollars in business and occupation tax credits are made available to financial institutions who contribute to a first-time home buyer assistance program to be administered by the Housing Finance Commission.

Financial institution— is broadly defined to include commercial banks, savings banks, foreign banks and credit unions. Credit is given equal to the amount of money donated. The Department of Revenue keeps a running total of all credits and notifies the Housing Finance Commission when the \$10 million fiscal year cap is reached. The credit must be used in the year the donation is made. Contributing institutions receive credit under the federal Community Reinvestment Act.

First-time home buyer— is defined as a person or household who has not previously owned his or her personal residence in the last three years. Assistance is limited to persons with incomes less than 115 percent of the median income of the county in which the home is

located or the state median income, whichever is higher. The program includes either down payment or mortgage assistance. Rule-making and reporting provisions are included.

Substitute Bill Compared to Original Bill: The substitute bill provides Community Reinvestment Act credit to donor institutions.

Appropriation: None.

Fiscal Note: Requested on January 21, 1998.

Effective Date: The bill takes effect July 1, 1998.

Testimony For: Assistance to first-time home buyers will open up rental units the new homeowner just vacated. Mortgage payment are often no more, or less than rent payments. Down payment and closing costs are often the major barrier to home ownership. Home ownership assistance is an effective economic development and job creation tool.

Testimony Against: None.

Testified: Kim Herman, Housing Finance Commission (pro); Chris Vance, King County Council (pro).