

SENATE BILL REPORT

SB 6490

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

Title: An act relating to the business and occupation tax.

Brief Description: Creating business and occupation tax credits to provide housing for low-income and disabled persons.

Sponsors: Senators Winsley, Prentice, Kline, Kohl and Goings.

Brief History:

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

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6490 be substituted therefor, and the substitute bill do pass.

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

Staff: Dave Cheal (786-7576)

Background: In 1997, the Legislature created a task force on financing housing for low-income seniors and persons with disabilities. One of the financing recommendations developed by the task force is to create a one-time, short-term business and occupation tax credit designed to raise funds to finance an array of programs to preserve and create housing alternatives for seniors and persons with disabilities. It is estimated that an auction of tax credits would yield about \$.98 on the dollar.

Many housing assistance programs assume that those receiving assistance eventually become self sufficient and enter the general housing market. That is not true for seniors and persons with disabilities. In addition, these two groups have greater need for support services in connection with housing. Federal assistance cutbacks have severely impacted these two groups.

Summary of Substitute Bill: A one-time auction of \$75 million in business and occupation tax credit is established. Any person with business and occupation tax liability is eligible to purchase the credits. The credit must be used within two years of the purchase and notice of qualification.

Proceeds of the sale of tax credits are placed in a trust account with the Housing Finance Commission. Funds are disbursed for low-income seniors and persons with disabilities housing programs approved by the commission, the director of the Department of Community, Trade, and Economic Development, and the task force created by the Legislature in 1997.

Permissible programs include new construction, rehabilitation, the elimination of equity gaps to make projects feasible, preservation of existing federally assisted housing, a rental voucher demonstration program, operating funds for a pilot home equity program and a housing guarantee program to ensure taxable and tax exempt debt financing. Programs established with these funds are administered by the Housing Finance Commission or the Department of Community, Trade, and Economic Development.

Purchase of a tax credit by a financial institution qualifies as an investment in affordable housing for purposes of the Community Reinvestment Act.

Evaluation of the programs and a report to the Legislature is required by December 1, 2000.

Substitute Bill Compared to Original Bill: The substitute bill deletes the State Investment Board as one agencies responsible to administer programs developed under the bill.

Appropriation: None.

Fiscal Note: Requested on January 23, 1998.

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

Testimony For: Housing needs for low-income elderly and persons with disability are growing while the supply is shrinking. A one-time investment now would produce an income stream and guarantee programs that would leverage significant housing resources for the targeted groups well into the future.

Testimony Against: None.

Testified: Martin Faveluke, MHCW (pro); Sallie Sweet, WSHFC (pro); Mark Dean, U.S. Bank (pro); Ray Munson, MHOA (pro).