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SENATE BILL 6490

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State of Washington

55th Legislature

1998 Regular Session

By Senators Winsley, Prentice, Kline, Kohl and Goings

Read first time 01/20/98. Referred to Committee on Financial Institutions, Insurance & Housing.

1 AN ACT Relating to the business and occupation tax; adding a new  
2 section to chapter 82.04 RCW; adding a new chapter to Title 82 RCW;  
3 creating a new section; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** It is the policy of the state to contribute  
6 to the state's general welfare by assisting in making affordable,  
7 decent, and service-enriched housing available to low-income seniors  
8 and persons with disabilities. Housing production stimulates general  
9 economic growth and strengthens the general tax base. Providing  
10 affordable, decent, and service-enriched housing for low-income seniors  
11 and persons with disabilities helps protect the health and safety needs  
12 of those persons and reduces their dependency upon state welfare and  
13 medical assistance while contributing to the health of neighborhoods,  
14 families, and communities. The state recognizes that providing housing  
15 for very low-income seniors and persons with disabilities requires  
16 additional resources and support.

17 The legislature intends to establish a business and occupation tax  
18 credit, providing a source of capital to expand the financing options  
19 available to preserve, rehabilitate, and construct housing for low-

1 income seniors and persons with disabilities. An investment of state  
2 resources is needed to overcome cutbacks in federal assistance for  
3 housing for low-income seniors and persons with disabilities, the  
4 unique financing needs of housing for these groups, and the increasing  
5 problems low-income seniors and persons with disabilities are having  
6 finding affordable, decent, and service-enriched housing. The  
7 legislature supports an expanded state commitment to long-term housing  
8 for low-income seniors and persons with disabilities.

9 It is the purpose of this chapter to establish a pool of funds to  
10 increase investment in affordable housing for low-income seniors and  
11 persons with disabilities through the creation of a limited tax credit.

12 NEW SECTION. **Sec. 2.** (1) A person shall be allowed a credit  
13 against taxes due under chapter 82.04 RCW of an amount purchased by the  
14 person in an auction of credit for that purpose.

15 (2) A person claiming the credit shall file an affidavit on a form  
16 prescribed by the department, including the amount of the credit  
17 claimed and additional information as the department may require.

18 (3) A person qualifying for the credit must take the credit against  
19 taxes due within two years of the date of qualification, or the credit  
20 is no longer valid.

21 (4) The department shall allow accrual of tax credits to a  
22 successor if the business or firm is sold, assigned, conveyed, or  
23 otherwise transferred.

24 (5) The amount of the tax credit auctioned to persons may not  
25 exceed seventy-five million dollars for the two-year period during  
26 which the credit may be taken.

27 NEW SECTION. **Sec. 3.** The definitions in this section apply  
28 throughout this chapter unless the context clearly requires otherwise.

29 (1) "Person" has the meaning given in RCW 82.04.030.

30 (2) "Sale date" means the date the tax credit is auctioned to  
31 qualified persons.

32 (3) "Low-income senior" means a person sixty-two years of age or  
33 older who has an income below eighty percent of the median income in  
34 the county in which he or she resides or the state median income,  
35 whichever is higher.

36 (4) "Person with disabilities" means a person who is impaired in  
37 one or more life functions.

1 (5) "Auction" means the sale of a business and occupation tax  
2 credit through sealed bid, conducted by the housing finance commission  
3 on the sale date. The commission may establish a minimum bid  
4 requirement for the credit to be sold at auction.

5 (6) "Trust account" means an account with a qualified financial  
6 institution, established by the housing finance commission for the  
7 deposit of the proceeds of the auction.

8 (7) "Advisory board" means the task force created under section 2,  
9 chapter 383, Laws of 1997, which shall be continued as the advisory  
10 board to recommend the use of the funds earned from the auction.

11 (8) "Department" means the department of revenue.

12 NEW SECTION. **Sec. 4.** Chapter 82.32 RCW governs the administration  
13 of this chapter.

14 NEW SECTION. **Sec. 5.** (1) The housing finance commission shall act  
15 as the repository for the funds earned through the auction of the tax  
16 credit and placed in the trust account. The commission shall disburse  
17 the funds only for purposes and programs benefiting low-income seniors  
18 and persons with disabilities, consistent with the recommendations of  
19 the advisory board and approved by the commission and the director of  
20 the department of community, trade, and economic development,  
21 including, but not limited to the following:

22 (a) Providing funds for new construction;

23 (b) Providing funds for rehabilitation and repair;

24 (c) Providing funds to eliminate equity gaps and to enhance project  
25 feasibility;

26 (d) Providing funds to preserve existing federally assisted  
27 housing;

28 (e) Providing funds for a rental voucher demonstration program;

29 (f) Providing operating funds for a pilot home equity program; and

30 (g) Establishing a housing guarantee program to ensure taxable and  
31 tax-exempt debt financing.

32 (2) Programs established under this chapter shall be administered  
33 by the housing finance commission, the department of community, trade,  
34 and economic development, or the state investment board. However, the  
35 home equity program may be administered by a state-wide nonprofit  
36 organization.

1 (3) Any interest earned on the trust account or funds returned  
2 through the repayment of a loan shall accrue to the trust account and  
3 may be reallocated for the same purposes as the funds earned from the  
4 sale of the tax credit, or to create new programs, thereby creating a  
5 revolving fund.

6 NEW SECTION. **Sec. 6.** The department, the housing finance  
7 commission, the department of community, trade, and economic  
8 development, the state investment board, and the advisory board shall  
9 evaluate the results of all programs allocated funds from the trust  
10 account and shall report the findings to the governor and the  
11 legislature by December 1, 2000. The evaluation must consider the  
12 effect of the programs in meeting the purposes of this chapter, the  
13 financing options available to create or preserve housing for low-  
14 income seniors and persons with disabilities, and the impact of the  
15 credit on the state economy and revenues.

16 NEW SECTION. **Sec. 7.** Purchase of a tax credit by a financial  
17 institution qualifies as an investment in affordable housing for  
18 purposes of the community reinvestment act under Titles 30 and 32 RCW.

19 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.04 RCW  
20 to read as follows:

21 Chapter 82.-- RCW (sections 1 through 7 of this act) applies to  
22 this chapter.

23 NEW SECTION. **Sec. 9.** If any part of this act is found to be in  
24 conflict with federal requirements that are a prescribed condition to  
25 the allocation of federal funds to the state, the conflicting part of  
26 this act is inoperative solely to the extent of the conflict and with  
27 respect to the agencies directly affected, and this finding does not  
28 affect the operation of the remainder of this act in its application to  
29 the agencies concerned. Rules adopted under this act must meet federal  
30 requirements that are a necessary condition to the receipt of federal  
31 funds by the state.

32 NEW SECTION. **Sec. 10.** If any provision of this act or its  
33 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other  
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 11.** Sections 1 through 7 of this act constitute  
4 a new chapter in Title 82 RCW.

5 NEW SECTION. **Sec. 12.** This act takes effect July 1, 1998.

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