HOUSE BILL ANALYSIS

HB 2267

***Title:* An act relating to a tax credit for financial institutions assisting victims of certain natural disasters.**

***Brief Description:* Providing a tax credit to institutions that forgive loans to landslide victims.**

***Sponsors:* Representatives Doumit, Mielke, Hatfield, Pennington, Romero, Haigh, DeBolt, Kenney, Eickmeyer, Santos, Kessler and Rockefeller.**

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: April 15, 199

Bill Analysis Prepared by: Charlie Gavigan (786-7340)

Background: When the President declares a disaster, the affected area has access to a variety of federal disaster assistance programs. These programs include: (1) assistance to public agencies to survey the damage and make repairs to public infrastructure damaged in the disaster; (2) grants to public agencies for hazard mitigation to reduce future disaster damage; (3) low interest loans through the federal Small Business Administration (SBA) to businesses and individuals to repair or replace damaged private property not covered by private insurance; and (4) other programs through the federal Department of Housing and Urban Development (primarily for persons with low and moderate incomes), unemployment assistance, and a variety of counseling programs. The Emergency Management Division of the state Military Department administers a significant portion of federal emergency management assistance. Several state agencies provide assistance in federal disaster areas, and also provide assistance to disaster areas that have been so designated by the Governor but have not been designated as such by the President.

To access low interest loans through the SBA to purchase new residences, a disaster victim must determine what he or she is going to do about loans on the previous residence affected by the disaster.

Financial institutions pay a business and occupation tax on an adjusted gross income as described by rule at the service rate of 1.5%.

Summary of Bill: A business and occupation tax credit is allowed for a financial institution that forgives all or part of the principal balance of a loan on a residence that is in the boundaries of a landslide disaster area and the residence will be a total loss or will be permanently uninhabitable. The landslide must be declared a natural disaster by the state and federal governments. The credit is 25% of the amount forgiven, up to a maximum credit per loan of $50,000.

If less than the total principal balance is forgiven, the financial institution may claim the credit only if the partial forgiveness is part of a plan to assist multiple victims of the disaster and involves multiple financial institutions in a pooling or other arrangement.

The credit is available on loans or parts of loans forgiven after the effective date of the act.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Rulemaking Authority: Not addressed.