

HOUSE BILL REPORT

HB 1217

As Reported by House Committee On:

Financial Institutions & Insurance

Title: An act relating to fees imposed by mortgage brokers licensed under the mortgage brokers practices act.

Brief Description: Reducing the mortgage brokers business and occupation tax rate.

Sponsors: Representatives Benson, Hatfield, Reardon, Bush, Roach, Cairnes, G. Chandler and D. Schmidt .

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/31/01 [DP].

Brief Summary of Bill

- Reduces the business and occupations tax on mortgage brokers to a rate of .484 percent of gross income.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 9 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; Cairnes, DeBolt, Miloscia, Roach, Santos and Simpson.

Minority Report: Do not pass. Signed by 2 members: Representatives McIntire, Vice Chair; Keiser.

Staff: Thamas Osborn (786-7129).

Background:

The business and occupations tax is imposed on businesses at varying rates, as determined by statutorily defined categories based upon the type of activity in which the business is engaged. The tax rates imposed on various businesses are based on a percentage of the gross revenue of the business or the gross value of production, as the case may be, and range from a low of .138 percent to a high of 1.5 percent. For those

businesses that fall outside any of the statutory categories and are not granted a specific exemption, the tax is determined at the rate of 1.5 percent of gross income.

Mortgage brokers are currently subject to a tax rate of 1.5 percent of gross income, insofar as they fall outside of the statutorily defined categories.

Summary of Bill:

Mortgage brokers are added to a miscellaneous list of business types subject to a business and occupations tax rate of .484 percent, thus reducing the tax burden of mortgage brokers by 68 percent.

Appropriation: None.

Fiscal Note: Requested on January 29, 2001.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.

Testimony For: Under current law, mortgage brokers are taxed at an unfairly high rate; up to three times the rate imposed on other businesses. They are similar to insurance brokers in terms of the service they provide, yet they pay much higher taxes. The bill would impose a tax rate on mortgage brokers similar to that imposed on insurance brokers and a great many other types of business. Most mortgage brokers are small businesses that provide mortgages for affordable housing, and are the most cost-effective means of obtaining a mortgage.

Testimony Against: None

Testified: Jim Brown Jr, Washington Association of Mortgage Brokers; George Axtell, Washington Association of Mortgage Brokers; Richard Maurer, Washington Association of Mortgage Brokers; and Charlie Brown, Washington Association of Mortgage Brokers.