
HOUSE BILL 1377

State of Washington

57th Legislature

2001 Regular Session

By Representatives Santos, DeBolt, Gombosky, Anderson, Ruderman, Benson, Veloria, Hatfield, Keiser, Wood and Kenney

Read first time 01/24/2001. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to community development financial
2 institutions; adding a new section to chapter 82.04 RCW; adding a
3 new section to chapter 48.14 RCW; creating a new section; and
4 providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

7 (a) The overall goal of the state's economic development
8 strategy is to raise the standard of living for all residents by
9 enhancing income and employment opportunities;

10 (b) The effectiveness of any regional or local economic
11 development strategy depends on a partnership between the
12 community, business, and government;

13 (c) The need to nurture entrepreneurs and entrepreneurship is
14 vital to the growth of Washington's economy; and

15 (d) The need to improve access to capital is vital to the
16 development or expansion of these smaller community-based
17 businesses.

18 (2) It is the intent of the legislature to create incentives to

1 increase access to capital by providing a tax credit to businesses
2 that make interest-free deposits into approved community
3 development financial institutions that will use the deposits to
4 make reduced interest rate loans to qualified community-based
5 businesses.

6 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04
7 RCW to read as follows:

8 (1) In computing the tax imposed under this chapter, a credit
9 is allowed for each qualified deposit made by a person or company
10 during the taxable year into a community development financial
11 institution. The credit is equal to twenty-five percent of each
12 qualified deposit and must be taken, in equal installments, over
13 the calendar year each qualified deposit is made, plus the four
14 subsequent consecutive years.

15 (2) No credit shall be allowed under this section unless the
16 department of financial institutions certifies that the deposit
17 described in this section qualifies for the credit under this
18 section and certifies the total amount of the credit allocated to
19 the person or company. The person or company must provide
20 information on the proposed qualified deposit that includes, but
21 is not limited to a description of terms and conditions of the
22 deposit or equity investment.

23 (3)(a) If a qualified deposit is withdrawn before the end of
24 the sixty-month period and not redeposited or reinvested in
25 another community development financial institution within thirty
26 days, the entire amount of the tax credit allowed under this
27 section shall be due and payable to the department of revenue
28 within thirty days of the withdrawal.

29 (b) If the qualified deposit is reduced before the end of the
30 sixty-month period, but not below fifty thousand dollars, the
31 amount of the tax credit attributed to the portion withdrawn shall
32 be due and payable to the department of revenue within thirty days
33 of the withdrawal.

34 (c) If the qualified deposit is reduced before the end of the
35 sixty-month period, below fifty thousand dollars, the entire
36 amount of the tax credit allowed under this section shall be due

1 and payable to the department of revenue within thirty days of the
2 withdrawal.

3 (4) The credit allowed under this section shall be limited to
4 the amount of tax imposed by this chapter. The department of
5 revenue shall not approve any qualified deposit that causes the
6 total credits allowed under this section and section 3 of this act
7 to exceed two million dollars per calendar year.

8 (5) This section applies only to qualified deposits in
9 community development financial institutions that are approved by
10 the department of revenue after July 1, 2001.

11 (6) For the purposes of this section:

12 (a) "Community development financial institution" means a
13 private financial institution located in the state of Washington
14 that is certified by the department of financial institutions,
15 that has community development as its primary mission, and that
16 lends in a designated area in the state. A community development
17 financial institution may include a community development bank, a
18 community development loan fund, a community development credit
19 union, a microenterprise fund, a community development corporation-
20 based lender, and a community development venture fund;

21 (b) "Designated area" means:

22 (i) A community empowerment zone under chapter 43.31C RCW; or

23 (ii) A rural county under RCW 43.14.370; and

24 (c) "Qualified deposit" means a deposit that does not earn
25 interest, or an equity investment, that is equal to or greater
26 than fifty thousand dollars and is made for a minimum duration of
27 sixty months.

28 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.14
29 RCW to read as follows:

30 (1) In computing the tax imposed by RCW 48.14.020, a credit is
31 allowed for each qualified deposit made by a person or company
32 during the taxable year into a community development financial
33 institution. The credit is equal to twenty-five percent of each
34 qualified deposit and must be taken, in equal installments, over
35 the calendar year each qualified deposit is made, plus the four
36 subsequent consecutive years.

37 (2) No credit shall be allowed under this section unless the

1 department of financial institutions certifies that the deposit
2 described in this section qualifies for the credit under this
3 section and certifies the total amount of the credit allocated to
4 the person or company. The person or company must provide
5 information on the proposed qualified deposit that includes, but
6 is not limited to a description of terms and conditions of the
7 deposit or equity investment.

8 (3)(a) If a qualified deposit is withdrawn before the end of
9 the sixty-month period and not redeposited or reinvested in
10 another community development financial institution within thirty
11 days, the entire amount of the tax credit allowed under this
12 section shall be due and payable to the department of revenue
13 within thirty days of the withdrawal.

14 (b) If the qualified deposit is reduced before the end of the
15 sixty-month period, but not below fifty thousand dollars, the
16 amount of the tax credit attributed to the portion withdrawn shall
17 be due and payable to the department of revenue within thirty days
18 of the withdrawal.

19 (c) If the qualified deposit is reduced before the end of the
20 sixty-month period, below fifty thousand dollars, the entire
21 amount of the tax credit allowed under this section shall be due
22 and payable to the department of revenue within thirty days of the
23 withdrawal.

24 (4) The credit allowed under this section shall be limited to
25 the amount of tax imposed by this chapter. The department of
26 revenue shall not approve any qualified deposit that causes the
27 total credits allowed under this section and section 2 of this act
28 to exceed two million dollars per calendar year.

29 (5) This section applies only to qualified deposits in
30 community development financial institutions that are approved by
31 the department of revenue after July 1, 2001.

32 (6) For the purposes of this section:

33 (a) "Community development financial institution" has the same
34 meaning as in section 2 of this act;

35 (b) "Designated area" has the same meaning as in section 2 of
36 this act; and

37 (c) "Qualified deposit" has the same meaning as in section 2 of
38 this act.

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NEW SECTION. **Sec. 4.** This act expires July 1, 2005.

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