

HOUSE BILL REPORT

HB 2625

As Reported by House Committee On:

Housing
Finance

Title: An act relating to tax relief to promote employer-assisted housing.

Brief Description: Providing tax relief to promote employer-assisted housing.

Sponsors: Representatives Springer, Ericks, Williams, Liias, Ormsby, Sells, Darneille, Simpson and Appleton.

Brief History:

Committee Activity:

Housing: 1/24/08, 1/28/08 [DPS];

Finance: 2/12/08 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Creates an Employer Assisted Housing Program (Program) to provide homeownership counseling and housing-related financial assistance to employees of employers who make financial contributions to the Program (or to employees of other specific beneficiary entities). The Program will be administered by the Housing Finance Commission.
- Establishes a credit against state business and occupation (B&O) tax for contributions by employers to eligible affordable housing programs. The state tax credit equals 25 percent of the amount contributed up to a maximum for all firms of \$1 million. Employers in cities with local gross receipts taxes are eligible for a similar credit of 25 percent of the amount contributed against the municipal B&O tax.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Miloscia, Chair; Springer, Vice Chair; Armstrong, Ranking Minority Member; Liias, McCune, Ormsby and Schindler.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Robyn Dupuis (786-7166).

Background:

Business and Occupation Tax.

Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Revenues are deposited in the State General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Housing Finance Commission.

The Washington Housing Finance Commission (HFC) was created by the Legislature in 1983, however it is not a state agency. The HFC does not receive state funds, it does not lend state funds, and the state is not liable for any of the HFC's debt. The HFC acts as a financial conduit of federal funds and has the authority to issue bonds for the development of affordable housing and non-profit facilities. To date, the HFC has financed more than 126,000 affordable housing units and elderly beds across the state and 127 nonprofit facilities.

The HFC Homeownership Activities.

The HFC is required in statute to provide a downpayment assistance program to veterans and a housing finance program for income eligible first-time homebuyers. Although not required in statute, the HFC periodically develops supplemental programs to provide additional assistance to other specific targeted populations including teachers, low-income rural residents, residents of a specific area, and disabled individuals. The HFC homeownership programs offer below-market-rate loans and down payment assistance, and also allow homebuyers to qualify for mortgages with higher loan ratios and pay less closing costs than under conventional loan programs. The HFC has provided over 38,000 loans for homeownership since 1983.

Summary of Substitute Bill:

New B&O Tax Credit.

A 50 cent credit against the state B&O tax liabilities is created for every \$1 contributed by an employer to the "Employer Assisted Housing Program" (Program) administered by the HFC. Credit may be claimed for contributions after the effective date of the act but before the credit's expiration date of July 1, 2015. The total amount of credits claimed statewide may not exceed \$1 million each year.

Employer Assisted Housing Program.

Employer contributions to the HFC's Program will be used for "qualified housing benefits" which could include homebuyer counseling or direct financial assistance such as downpayment or closing cost assistance or one-time rent assistance. The HFC must certify

that the employer is located in a jurisdiction that has active plans and programs related to the promotion of affordable housing.

Beneficiaries of Housing Benefits: Employees that can receive benefits are limited to individuals making no more than 120 percent (or 150 percent in high cost areas*) of the median family income for the county or the state median income. Qualified employees are employees of the employer or employees of a qualified beneficiary entity which consists of nonprofit corporations, school districts, cities, towns, counties, public hospitals, and state universities.

If the HFC is unable to distribute the full amount of an employer's contribution within 36 months to the employer's employees, the HFC will use the excess monies to provide benefits to a qualified beneficiary entity designated by the employer or by the HFC.

Reporting and Program Evaluation: The HFC must report on the Program's activities, outcomes and performance measures (to be created in conjunction with the Department of Revenue and the Joint Legislative Audit and Review Committee (JLARC)) annually to the appropriate committees of the Legislature.

The JLARC must conduct a program evaluation 36 months after the inception of the Program.

Sunset Review: Sections are added to the Washington Sunset Act (43.131).

The B&O tax credit Program shall be terminated on July 1, 2015. The JLARC must conduct a sunset review one year before the credit expires (expiration date July 1, 2015).

** High Cost Area: means a county where the third quarter median house price for the previous year as reported by the Washington Center for Real Estate Research at Washington State University is equal to or greater than 130 percent of the statewide median house price published during the same time period.*

Substitute Bill Compared to Original Bill:

Terminology that is used to describe in general affordable housing plans and activities of a local jurisdiction that are necessary in order that employers within the jurisdiction be able to participate in the Program is altered. A sentence stating that employer contributions may be used for administrative costs is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This Program provides an incentive opportunity for employers to provide a real benefit to employees by helping them to acquire housing near their place of employment. Helping workers obtain housing close to work has beneficial environmental, transportation, and quality of life benefits. It also benefits employers directly by helping them to retain quality employees; this in turn helps the local and state economy. The Program is flexible and the employer can design a program that works best for the employer and their employees. An employer may even choose to provide a housing benefit to a local university for the purpose of attracting good teachers which will produce an educated quality workforce for their specific industry. The Housing Finance Commission will conduct the administrative and operational functions of the Program and will provide information as needed to the Department of Revenue so that the B&O tax credits can be administered appropriately.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; Adrienne Quinn, Department of Housing, City of Seattle; Kim Herman, Washington State Housing Finance Commission; and Lara-Anne Jordan, Seattle University.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Don Taylor (786-7388).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Housing:

Reduces the amount of the state business and occupation (B&O) tax credit from 50 to 25 percent of the amount donated to the employer-assisted housing program. Also, requires that, if the employer is located in a city that imposes a local B&O tax, the city must also allow a tax credit of 25 percent of the amount donated.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The prime sponsor and representatives of affordable housing programs expressed support for the bill. Employers need to take more interest in assuring their employees have adequate housing. This will enable them to concentrate on their jobs and be more productive employees. This measure lets the employer contribute financially toward this goal.

(Opposed) None.

Persons Testifying: Representative Springer; prime sponsor; and Kip Tokuda and Mark Ellerbrook, City of Seattle.

Persons Signed In To Testify But Not Testifying: None.