

SENATE BILL REPORT

SB 5200

As Reported By Senate Committee On:
Consumer Protection & Housing, February 1, 2007

Title: An act relating to tax credits for contributions to low-income housing efforts.

Brief Description: Providing tax credits for contributions to low-income housing efforts.

Sponsors: Senators Delvin, Weinstein, Kohl-Welles, Morton, Pridemore, Kilmer, Rasmussen and Kline.

Brief History:

Committee Activity: Consumer Protection & Housing: 1/19/07, 2/1/07 [DPS-WM].
Ways & Means: 2/15/07.

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: That Substitute Senate Bill No. 5200 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Alison Mendiola (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: It is the public policy of Washington State to assist in making affordable housing available state-wide. It is believed that despite ongoing efforts, there is a shortage of such housing, and that a program providing tax credits to taxpayers making contributions to low-income housing assistance programs would help encourage the creation of additional affordable housing units. The business and occupation (B&O) tax is imposed on the gross receipts of business activities conducted within the state. Generally, as Washington State does not have an income tax, there are no deductions from the B&O tax for labor, materials, taxes, or other business expenses, unless the business qualifies for certain exemptions, deductions, or credits. The public utility tax is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the B&O tax.

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.

Summary of Bill: Tax Credit Program Created: A tax credit is created for contributions approved by the Department of Revenue (DOR) that are made to the Housing Trust Fund or a federally-recognized 501(c)(3) nonprofit organization that builds homes and provides homeownership opportunities. This tax credit is allowed against the taxpayer's B&O or public utility taxes. The amount of the tax credit allowed is 75 percent of an approved contribution made to a 501(c)(3) organization or 50 percent of an approved contribution made to the Housing Trust Fund.

Limitations on the Total Amount of Tax Credit Allowed: Not more than \$250,000 in tax credits will be allowed for contributions to any one approved home ownership organization in a calendar year. Further, an eligible taxpayer is not allowed more than \$500,000 in tax credits per calendar year. The total amount of the credit claimed in any calendar year cannot exceed the lesser of: (1) the amount of the approved credit; or (2) 75 percent of the amount of the contribution made to a 501 (c)(3) organization and 50 percent of the amount of the contribution made to the Housing Trust Fund. DOR must keep a running total of all approved credits under this program and not approve any credits that would cause the total to exceed \$1.5 million statewide in any calendar year. Applications will be approved on a first-come basis. Tax credits cannot be carried over to subsequent years and no refunds are allowed.

Tax Credit Application Process: A person claiming the tax credit is required to electronically file with DOR all returns, forms, and other information required by the department. The application with DOR for the tax credit must be made prior to making a contribution. DOR will rule on the application's approval within 45 days. Applications for this tax credit will not be accepted until January 1, 2008.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Consumer Protection & Housing): Non-profits that benefit from a contribution under this program must be located in Washington State.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Consumer Protection & Housing): PRO: This credit closes the gap between the cost of building and building construction. This will be used as a new tool to spur investment in the development of private/public partnerships. Habitat for Humanity will benefit from this credit and they are the only ones who build homes for those between 30-50 percent of the median income. Homeownership is the way out of inter-generational poverty.

Persons Testifying (Consumer Protection & Housing): PRO: Senator Delvin, prime sponsor; Kim Herman, Washington State Housing Finance Commission; Maureen Howard, Habitat for Humanity of Washington State; Curt Andino, South Puget Sound Habitat for Humanity; Nick Federici, Washington Low-Income Housing Alliance.

Staff Summary of Public Testimony (Ways & Means): PRO: This tax credit will provide additional support for organizations that are doing good work for low-income housing. This is a great opportunity for the business community to contribute to programs or funds that help families below the median income to achieve the dream of homeownership. There are many nonprofits in Washington that would benefit from this program.

Persons Testifying (Ways & Means): PRO: Senator Delvin, prime sponsor; Kim Herman, Housing Finance Commission.