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## Finance Committee

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### HB 1543

**Brief Description:** Concerning the first mortgage interest business and occupation tax deduction.

**Sponsors:** Representatives Blake and Vick.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Expands the first mortgage interest business and occupation tax deduction by allowing qualifying banks to deduct additional points and loan origination fees.</li></ul>
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**Hearing Date:** 1/30/15

**Staff:** Richelle Geiger (786-7175).

**Background:**

Business and Occupation Taxes.

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. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted.

First Mortgage Interest Deduction.

Interest on loans secured by a first mortgage on residential real property is eligible for a B&O tax exemption if the bank operates in fewer than 10 states. Deductible interest includes the portion of points and origination fees, required by the general accepted accounting principles (GAAP), to be amortized over the life of the loan.

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*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.*

According to GAAP rules, a portion of points and origination fees are not amortized over the life of the loan.

**Summary of Bill:**

The first mortgage interest B&O tax deduction is expanded to include points and loan origination fees that have not been amortized over the life of the loan.

**Appropriation:** None.

**Fiscal Note:** Requested on January 23, 2015.

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