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**Community Development, Housing &  
Tribal Affairs Committee**

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**HB 2441**

**Brief Description:** Preventing and addressing catastrophic wildfires.

**Sponsors:** Representatives Manweller, Shea, Young and Steele.

**Brief Summary of Bill**

- Expands the authorized uses of the \$40 homeless housing and assistance surcharge to include educating homeowners about wildfire risk, prevention, and response in certain counties.
- Requires the Department of Natural Resources to provide resources to local authorities at risk for wildfires.
- Creates a new fire prevention business and occupation tax credit for harvesters of forest-derived biomass.

**Hearing Date:** 1/17/18

**Staff:** Kirsten Lee (786-7133).

**Background:**

State and local homeless housing and assistance surcharges, or document recording fees, are used to fund state and local homeless housing programs. The Department of Natural Resources is the lead state agency responsible for state fire prevention and response. A Business and Occupation (B&O) tax credit was offered to harvesters of forest-derived biomass for certain qualifying activities and expired in 2015.

Homeless Housing and Assistance Surcharges.

Both the state and local homeless housing programs receive funding from the homeless housing and assistance surcharge collected by each county auditor when most documents are recorded. The surcharge is \$40 per recorded document; it is scheduled to change back to \$10 in 2023. An

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additional homeless housing and assistance surcharge of \$8 is also collected by each county auditor.

Approximately 60 percent of each surcharge is distributed to the county for local homeless housing programs, and approximately 40 percent is deposited in the Home Security Fund Account to be used for the state's homeless housing programs.

#### State Wildfire Prevention and Response.

The Department of Natural Resources (DNR) is the lead state entity responsible for forest fire prevention and response on both state-owned and private forest land in Washington. The DNR's role is to assume direct charge of and supervision of all matters pertaining to forest fires. The DNR has the authority to enter into cooperative agreements or contracts with local governments, other state agencies, and the federal government to provide fire services on land they are responsible for protecting or managing. The DNR provides a number of wildfire prevention and preparedness resources to communities at risk for wildfires.

#### Business and Occupation Taxes and Tax Preferences.

The business and occupation (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 into 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. There are multiple exemptions, deductions and credits to reduce the B&O tax liability for specific taxpayers and business industries.

A B&O tax credit for harvesters of forest-derived biomass sold, transferred, or used for production of electricity, steam, heat or biofuel expired in 2015. A credit was calculated of up to \$5 per harvested green ton of forest derived biomass. "Forest derived biomass" was defined as tree limbs, tops, needles, leaves, and other woody debris that are residues from such activities as timber harvesting, forest thinning, fire suppression, or forest health.

#### New Tax Preferences.

All new tax preference legislation must include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. New tax preferences expire 10 years after the effective date of the tax preference, unless otherwise provided.

#### **Summary of Bill:**

Funding is made available for homeowners and local authorities for wildfire-related education. Additionally, fire prevention tax credits are available for harvesters of forest-derived biomass.

#### Homeless Housing and Assistance Surcharges.

The county portion of the \$40 local homeless housing and assistance surcharge may be used by certain counties to educate homeowners about wildfire risk and prevention measures and for wildfire prevention and response activities. These counties are located east of the crest of the Cascade Mountain range with a population of 100,000 or less. Before using funding for these purposes, these counties must hold a public hearing. The state portion of the homeless housing and assistance surcharges deposited in the Home Security Fund Account may also be used for wildfire prevention and response activities in these counties.

State Wildfire Prevention and Response.

The DNR must provide funding or training for prescribed burning to local authorities in areas at risk for wildfires, subject to the availability of appropriated funds.

Fire Prevention Tax Credit.

A new fire prevention B&O tax credit is created for harvesters of forest-derived biomass sold or transferred when the harvest was done for the primary purpose of wildfire prevention or mitigation. "Forest derived biomass" means the by-products of preventive silvicultural treatment or wildfire damage that are removed to reduce hazardous fuels, reduce or contain disease or insect infestation, or to restore forest health. To qualify for the tax credit, a taxpayer must self-certify that the harvest sold or transferred was done for the primary purpose of wildfire prevention or mitigation. The credit is equal to the total amount of B&O tax due on any qualifying activity.

A tax preference performance statement for the fire prevention tax credit is required. The specific public policy objective stated for the tax credit is to increase proactive thinning and clearing of lands in the state for the purpose of preventing and mitigating wildfires. The standard 10-year expiration for new tax preferences does not apply to the fire prevention tax credit.

**Appropriation:** None.

**Fiscal Note:** Available.

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