

## Repeal or limit B&O tax deduction for first mortgage interest

**Description** This proposal would impose B&O tax on all, or a portion of, interest received by financial institutions from residential first mortgages by repealing or amending the deduction provided by RCW 82.04.4292. There are two options:

- **Option 5** - Repeal the deduction under RCW 82.04.4292, or
- **Option 7** - Apply a per-business annual cap of \$100 million.

**Current Law** RCW 82.04.4292 provides a deduction for interest received by financial institutions on most first mortgages on residential properties.

- Deductible income includes the portion of fees charged to borrowers, such as points and loan origination fees, which are recognized over the life of the loan as an adjustment to yield.
- Also included are amounts received for servicing such loans, provided certain conditions are met by the business.

**Revenue Impact**

General Fund Impacts (\$ millions):

Option	Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
5	\$0	\$46.6	\$46.6
7	\$0	\$15.7	\$15.7

*Notes:*

- *Estimates assume a July 1, 2012, effective date, representing 11 months of collections for FY 2013.*
- *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*

**Expenditure Impact**

Option	Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
5	\$6,500	\$2,600	\$9,100
7	\$92,800	\$2,600	\$95,400