

# HOUSE BILL REPORT

## HB 2447

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*As Reported By House Committee on:  
Revenue*

**Title:** An act relating to the taxation of conveyances of real property.

**Brief Description:** Modifying the real estate conveyance tax.

**Sponsor(s):** Representatives Wang and Fraser; by request of Governor Gardner.

**Brief History:**

Reported by House Committee on:  
Revenue, January 28, 1992, DPS.

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**HOUSE COMMITTEE ON  
REVENUE**

**Majority Report:** *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 9 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; J. Kohl; Leonard; Morris; Rust; and Van Luven.

**Minority Report:** *Do not pass.* Signed by 6 members: Representatives Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Carlson; Day; Morton; and Silver.

**Staff:** Rick Peterson (786-7150).

**Background:** The real estate excise tax is paid when real property is sold. The tax rate is 1.28 percent of the selling price. Most local governments impose an added rate of 0.25 percent. Additional local options are available.

Taxpayers are required to file a real estate excise tax affidavit and pay the tax to the county treasurer. The state's share of the tax is 7.7 percent and is split between the local government public works account and the general fund for the support of the common schools. The state general fund share is expected to be about \$185.6 million in fiscal year 1992.

There are numerous exemptions from the tax. Transfers not subject to tax include those involving gift or inheritance;

assumption of mortgage when no consideration passes; creation of security interests; partition of property by tenants in common; divorce related property settlement; court ordered foreclosure sales or execution of judgment; condemnation by governmental body; transfers of graves or lots in a cemetery; transfers to or from federal, state and local governments; and transfers to a family owned corporation or partnership.

The real estate excise tax is applied when valuable consideration is given in the sale of real property. Transfers that occur without valuable consideration are not considered sales and are not subject to real estate excise tax.

**Summary of Substitute Bill:** The real estate excise tax is restructured as a conveyance tax. The tax is imposed on the conveyance of real property rather than the sale of real property. The tax rate remains at 1.28 percent.

Many transfers that were exempt under the previous tax because no consideration was paid for the property are now subject to tax. So, for example, real property transfers between a corporation and a subsidiary will now be taxable even if no consideration is paid for the property.

The exemption for transfers by gift is limited to family members or federally recognized nonprofit organizations. The exemption for transfers to or from the federal, state and local governments is limited to transfers by these governments.

**Substitute Bill Compared to Original Bill:** The substitute bill removes the budget stabilization account earmark for revenue after June 30, 1993. The substitute bill makes clear that local real estate excise taxes will continue under the changes made by this bill. The substitute bill clarifies that property tax liens have priority over real estate transfer tax liens, that earnest money agreements are not taxable transactions, and that the creation of a lien by means of a mortgage is not taxable.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on June 1, 1992.

**Testimony For:** This bill will close a loophole that allows some large real estate transactions to avoid the real estate excise tax.

**Testimony Against:** None.

**Witnesses:** Mary Clogston, Washington Citizen Action; and Karen Davis, Washington Education Association (both in favor).