

**SENATE BILL REPORT**

**ESB 6408**

**AS PASSED SENATE, FEBRUARY 18, 1992**

**Brief Description:** Financing capital projects.

**SPONSORS:** Senators Matson, Vognild, Hayner, Sutherland, Madsen, McCaslin and Roach

**SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS**

**Majority Report:** Do pass.

Signed by Senators McCaslin, Chairman; Roach, Vice Chairman; Madsen, Matson, and Sutherland.

**Staff:** Eugene Green (786-7405)

**Hearing Dates:** February 6, 1992

**HOUSE COMMITTEE ON LOCAL GOVERNMENT**

**BACKGROUND:**

In 1982, the governing body of any county, city, or town was authorized to impose an excise tax on each sale of real property at a rate not exceeding one-quarter of 1 percent of the selling price. The proceeds from the tax are placed in a capital improvement fund to be used for local improvements, including those improvements listed under the city local improvement district authorization (LIDs). The 1990 Growth Management Act (GMA) restricted the use of these proceeds in counties, cities, and towns required or choosing to plan under the GMA primarily to: (1) financing capital projects specified in a capital facilities plan element of a comprehensive plan, and (2) housing relocation assistance. Exceptions were made for proceeds previously pledged to debt retirement.

The 1990 Growth Management Act also authorized the governing body of any county, city, or town that plans under the GMA to impose an additional excise tax on the sale of real property at a rate not exceeding one-quarter of 1 percent of the selling price. Any county choosing to plan under the GMA and any city or town within that county may only impose this additional excise tax after voter approval. The proceeds from this additional real estate tax are used solely for financing capital projects specified in a capital facilities plan element of a comprehensive plan.

Questions have arisen as to the appropriateness of some of the expenditures of the proceeds generated by these two real estate excise taxes.

**SUMMARY:**

1982 Real Estate Excise Tax

In all counties, cities, or towns, the revenues generated by this real estate excise tax shall only be used to supplement and augment existing sources of revenue for capital projects.

In counties, cities, or towns required or choosing to plan under the Growth Management Act: (1) the revenues shall be used solely for financing capital projects; (2) these projects must be specified in a capital facilities plan element of a comprehensive plan adopted pursuant to the GMA; (3) the exception made for revenues pledged to debt retirement prior to July 1, 1990, is clarified; (4) if a county, city or town has not imposed this real estate excise tax by July, 1991, such tax may only be imposed after adoption of a comprehensive plan and development regulations pursuant to the GMA; and (5) the term "capital project" is restricted to those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

1990 Growth Management Act/Real Estate Excise Tax

The revenues generated by this real estate excise tax shall only be used to supplement and augment existing sources of revenue for capital projects and may be imposed only after adoption of a comprehensive plan and development regulations pursuant to the Growth Management Act.

The term "capital project" is defined as above.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

Cities and counties have broken faith with intent of the Growth Management Act. Excise tax was to be used for essential capital purposes and no substitution of money for other programs should be allowed.

**TESTIMONY AGAINST:**

Counties and cities have followed the law.

**TESTIFIED:** Mike Eichelbarger, Habitat Limited (pro); Dick Ducharme, Utility Contractors (pro); Glen Hudson, Realtors (pro); Duke Schaub, AGC (pro); Gary Lowe, Washington State

Association of Counties (con); Dick Dufall, City of Federal Way (con); Jerry Vrooman, City of Everett (con)

**HOUSE AMENDMENT(S):**

The anti-supplanting language is altered, lessening the new restrictions on the use of the first 0.25 percent real estate excise tax receipts, and permitting the county to obtain 1 percent of the tax receipts to defray its collection costs.