HB 2699
Bill Analysis

February 4, 1998

Brief Description: Authorizing real estate excise tax revenues for construction of capital improvements to public schools.

Bill Sponsors: Representatives Wensman, Quall, Cairnes, Alexander, Mitchell, Gardner, Hickel, Linville, Crouse, Grant, Talcott, Mulliken, Koster, D. Sommers, Radcliff, Chandler, L. Thomas, Hankins, Doumit, Delvin, Scott, Sheahan, McCune, Carrell, Sullivan, Johnson, Sherstad, Backlund, Benson, Zellinsky, McMorris, Dunn, Robertson, Boldt, Buck, Cooke, D. Schmidt, Sterk, Thompson, Pennington, DeBolt, Skinner, Clements, Schoesler, McDonald, Kessler, Mastin, Cole, Wolfe, Murray, Lambert, Tokuda, Cody, Morris, Mielke, Bush, Van Luven and Ballasiotes.

Staff: Rick Peterson, 786-7150.

Background: Cities and counties that plan under the Growth Management Act may charge impact fees on development. The fees are imposed as a condition of development approval and pay for public facilities needed to serve new growth and development. Impacts fees may be charged for public streets and roads; publicly owned parks, open space and recreation facilities; school facilities; and city fire protection facilities.

Although the Growth Management Act allows impact fees to be imposed for school facilities, it does not authorize the school district to do so. School districts must act through the city and/or the county to implement an impact fee program.

The State Environmental Policy Act (SEPA) allows local governments to place conditions on a development proposal to mitigate specific adverse environmental impacts. Impact fees have been imposed under this authority.

The real estate excise tax is paid when real property is sold. Real property consists of land and improvements permanently affixed to the land. The state 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. The combined state and local tax rate is 1.53 or 1.78 percent in most areas.

The local real estate excise taxes include two 0.25 percent options that may be imposed by

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cities and counties. The first of these taxes does not require vote approval. In cities and towns not planning under GMA, revenue from this tax is used for capital improvements specified in statute. Counties and cities planning under GMA must use the money for capital projects specified in a capital facilities plan element of a comprehensive plan or housing relocation assistance.

The second 0.25 percent tax is available to cities and counties planning under GMA. Jurisdictions required to plan under GMA may impose the tax without a vote. The tax must be approved by a majority vote in jurisdictions voluntarily planning under GMA. Revenue from this tax is used for capital projects specified in the jurisdiction's comprehensive plan.

Other local option real estate excise taxes are: (1) up to 0.5 percent for cities or counties that do not impose the second 0.5 percent local option sales tax, and (2) up to 1 percent county wide tax used for the acquisition and maintenance of conservation areas.

Summary of Bill: At the request of a school district, the county and cities in which the school is located may impose a real estate excise tax of 0.128 percent. The tax is deducted from the state portion of the real estate excise tax. The county may use 2 percent of the tax receipts for administration. The tax revenue is distributed to each school district based on the amount of real estate excise tax collected within the school district. The tax revenue shall be used to fund construction of capital improvements to public schools or repay bonds issued to fund school construction.

Once the county imposes the tax, the county and all the cities in the county shall not:

A. Impose GMA or SEPA impact fees on construction, reconstruction, or remodeling residential property to pay for school facilities;

B. Condition or deny the division of land because appropriate provisions have not been made for schools and school grounds.

Annually, counties and school districts receiving funds from this tax shall report revenues and expenditures to the State Auditor. Each year the State Auditor shall report the information to the Legislature.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which the bill is passed.