

# HB 1756

## Bill Analysis

February 16, 1999

**Brief Description:** Exempting certain land exchanges with the federal government from real estate excise tax.

**Bill Sponsors:** Representatives Thomas and Dunshee.

### Brief Summary of Bill

- Transfers of real property are exempt from the state portion of the real estate excise tax if the transfers are: (1) between a private entity and the U.S. Department of Agriculture; (2) have been approved by Congress; and (3) involve parcels that are equal or equalized in value.

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### Background:

The real estate excise tax is imposed on each sale of real property. The state tax rate is 1.28 percent. Additional local rates are allowed. Cities and counties may impose an additional 0.25 percent rate for capital improvements. Cities and counties may also impose a second 0.25 percent rate for capital projects specified in a city or county's comprehensive plan. An additional rate of 0.5 is available for cities and counties not imposing the second 0.5 percent of the local sales tax. A county may impose an additional 1 percent rate for acquisition and maintenance of conservation areas if this rate is approved by voters.

The tax is applied when a sale occurs. A sale is defined as any conveyance, grant, assignment, quitclaim, or transfer of the ownership of or title to real property.

A seller pays real estate excise taxes. The only exception is the 1 percent county conservation rate which is paid by buyers.

Sales of real property by a governmental entity are exempt from the real estate excise tax. However, sales of real property to a governmental entity are taxable.

**Summary of Bill:**

Transfers of real property are exempt from the state portion of the real estate excise tax, if the transfers consist of an equivalent exchange of real property between a private entity and the U.S. Department of Agriculture. Additionally, these equivalent transfers (real property exchanges) must have been approved by Congress. Real property exchanges are equivalent if the exchanged parcels of real property are equal in value or Congress has otherwise provided a means for equalizing value.

Local real estate excise tax rates continue to apply to equivalent exchanges of real property between a private entity and the U.S. Department of Agriculture.

**Appropriation:** None.

**Fiscal Note:** Available.

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