

***Finance***

***Proposed Substitute HB 1246***

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

***Original Bill Sponsors:*** *Representatives Morris, Cairnes, Reardon, Carrell, Pennington, Crouse, Boldt, Dunn, Mielke, Edwards and D. Schmidt .*

***Brief Summary of proposed substitute Bill***

- *Deducts the cost of the building lot from the selling price when calculating the real estate excise tax on sales of new residential property by developers.*

***Hearing Date:*** *1/30/01*

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

***Background:***

*The real estate excise tax (REET) is imposed on each sale of real property. The state tax rate is 1.28 percent of the selling price. 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 percent 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.*

*The seller of real estate pays REET, except the 1 percent county conservation rate which is paid by the buyer.*

***Summary of proposed substitute Bill:***

*Developers may deduct the cost of the building lot from the selling price when calculating the real estate excise tax on sales of new residential property.*

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

***Appropriation:*** *None.*

***Fiscal Note:*** *Requested on January 30, 2001.*