

# HOUSE BILL REPORT

## HB 1254

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### As Reported by House Committee On:

Finance

**Title:** An act relating to a real estate excise tax exemption for land exchanges and sales with the federal government.

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

**Sponsors:** Representatives Kessler, Mastin, Reardon, Roach, Cairnes and Morris.

### Brief History:

#### Committee Activity:

Finance: 1/30/01, 2/13/01 [DPS].

#### Brief Summary of Substitute Bill

- An exchange of real estate is exempt from the state portion of the real estate excise tax if the exchange is between a private entity and the U.S. Department of Agriculture or Department of Interior, and the exchange involves parcels that are equal or equalized in value.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

**Staff:** Bob Longman (786-7139).

### 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 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 applies 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 the buyer.

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.

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**Summary of Substitute Bill:**

Exchanges of land between a private entity and the U.S. Department of Agriculture or Department of the Interior are exempt from state real estate excise tax if the exchange involves parcels that are equal in value. Parcels that are not equal in value may be equalized under a procedure specified by Congress.

Sales of land to the U.S. Department of Agriculture, U.S. Department of the Interior, or to a nonprofit nature conservancy organization are exempt from state real estate excise tax if the sale will conserve the land for public use or enjoyment.

These exemptions are for the state portion of the real estate excise tax and do not apply to local real estate excise taxes.

**Substitute Bill Compared to Original Bill:**

The original bill exempted only land exchanges with federal agencies. It did not exempt sales to federal agencies or sales to nonprofit conservancy organizations.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill will encourage land conservation. The real estate excise tax is a disincentive for land transfers that would help land conservation and nature preservation. The bill should be amended to exempt sales to nature conservancy

organizations; this was an oversight in the original bill. This bill is an exemption for state taxes only. County tax revenues will not be reduced.

**Testimony Against:** None.

**Testified:** Representative Kessler, prime sponsor; and Bob Jirsa, Plum Creek.