

SENATE BILL REPORT

SSB 5965

As Reported By Senate Committee On:
Ways & Means, February 12, 2002

Title: An act relating to local option real estate excise taxes for affordable housing purposes.

Brief Description: Authorizing local option real estate excise taxes for affordable housing purposes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Spanel, Gardner, Kohl-Welles, Kline and Rasmussen).

Brief History:

Committee Activity: Ways & Means: 2/26/01, 3/9/01 [DPS]; 2/12/02 [DP2S, DNP].
Passed Senate: 3/13/01, 28-21.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5965 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Kline, Kohl-Welles, Poulsen, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Minority Report: Do not pass.

Signed by Senators Honeyford, Roach and Rossi.

Staff: Terry Wilson (786-7433)

Background: The real estate excise tax applies to sales of real property and is collected when the sale document is recorded with the county. The tax is imposed on the value of the real property transferred.

The state tax rate is 1.28 percent of the selling price. Cities and counties may levy a tax of 0.25 percent for capital improvements. Cities and counties may impose an additional 0.5 percent for general purposes if they do not impose the second 0.5 percent of the local sales tax, but this tax is subject to referendum. Cities and counties may levy additional taxes of up to 0.25 percent for growth management programs, but cities and counties not required but choosing to plan under the Growth Management Act must obtain voter approval before imposing the tax. Finally, counties may impose a tax of up to 1.0 percent to finance the acquisition of conservation areas, subject to voter approval. City taxes are imposed in the city and county taxes are imposed in the unincorporated areas of the county, except the tax for conservation areas, which is county-wide. The taxes are paid by the seller, except the conservation area tax is paid by the buyer.

Summary of Second Substitute Bill: An additional real estate excise tax is authorized for counties equal to 0.5 percent of the selling price to be used exclusively for the development of affordable housing, including acquisition, building, rehabilitation, and maintenance and operation of housing for very low, low, and moderate income persons and those with special needs.

The proposal for the tax may be initiated by the county commissioners or by petition signed by 10 percent of the total number of voters voting in the last county election.

The tax requires voter approval and is imposed county-wide. The tax is imposed on both the purchaser and the seller, as determined by the county legislative authority, with at least one-half of the tax being on the purchaser.

Moneys are distributed on a competitive grant and loan process as determined by the legislative authority. Eligible recipients of grants and loans include private nonprofit, affordable housing providers, the housing authority for the county, or other housing programs conducted or funded by a public agency, or by a public agency in partnership with a private nonprofit entity.

No tax may be imposed unless the county imposes the 1.0 percent tax for conservation areas at the maximum rate and imposes the tax by January 1, 2003.

Second Substitute Bill Compared to Original Bill: The second substitute bill limits the tax to counties imposing the full conservation areas tax by 2003. The first substitute limited the tax to counties imposing the conservation areas tax on January 1, 2001.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: San Juan County is in a crisis. It has the highest median home value at \$280,000 and an average wage of only \$20,000. Affordable housing is a real issue. We want working people to stay. Ferry costs are going up 120 percent and commuting is not an option. Teachers and government workers do not have enough to buy a house. Let us ask the voters. The housing trust fund is not a viable option because projects are too small in San Juan County. This is a county-wide tax so cities should be included in determining how the money is spent.

Testimony Against: We should maintain the integrity of the REET as a tax for infrastructure. The issue is not exclusive to San Juan County. Island County has many military personnel who are always looking for affordable housing. This REET would keep them from getting homes because it increases the price. This tax would be a high percentage of the equity on sale. Military personnel resell every two to three years. Most buy with no money down. They don't have the money for the tax. This REET runs counter to affordable housing. It does not work for people making \$20,000. The issue should be addressed by the market, not subsidies.

Testified: PRO: Darcie Nielsen, San Juan County Commissioners; P. Patrick Mann, San Juan County Planning Dept.; John Campbell, Architect/Developer; Nick Federico, WA Low-Income Housing Congress; Ron Rosenblum, AWC (concerns); CON: Joseph Muosolino, North Puget Sound Assn. of Realtors; Mike Flynn, Realtors; Sheila Davies, Assn. of Realtors; Trent Matson, Building Industry Assn. of WA; Jim Hagstrom, Master Builders Assn. of King and Snohomish Counties.