

HOUSE BILL REPORT

HB 2574

As Reported by House Committee On:
Finance

Title: An act relating to disclosure of information related to real estate excise taxes.

Brief Description: Authorizing the disclosure of information related to real estate excise taxes.

Sponsors: Representatives Tom, Clibborn, Jarrett, Hunter, Priest, Conway, Shabro, Sehlin, Benson, Moeller, Chase and Rockefeller.

Brief History:

Committee Activity:

Finance: 2/3/04, 2/5/04 [DPS].

Brief Summary of Substitute Bill

- Exempts from confidentiality requirements any information in the possession of the Department of Revenue regarding real estate excise tax.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives McIntire, Chair; Hunter, Vice Chair; Conway, Morris and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Roach.

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. The combined state and local rate in most areas is 1.78 percent or less. The highest rate is 2.78 percent in the City of Friday Harbor.

The real estate excise tax applies when a sale occurs. A sale is defined as any transfer of the ownership of or title to real property, or any transfer of a controlling interest in a corporation or other entity that owns real property. A controlling is 50 percent or more of the voting power of the stock of a corporation, or 50 percent or more of capital, profits, or beneficial interest in a partnership, association, trust, or other entity.

Several exemptions are allowed from the real estate excise tax, including gifts, inheritances, and transfers to a corporation or partnership that is wholly owned by the transferor, the transferor's spouse, or the transferor's children.

When real property is transferred by deed, the tax is paid at the time the deed is recorded in the county records and the tax is collected by the county treasurer. The county treasurer distributes the tax revenue to the state and local jurisdictions imposing the tax. When the control of real property is transferred via a change in the controlling interest in a corporation or other entity, real estate excise tax is paid to the Department of Revenue, which distributes the local share of tax revenue to the appropriate jurisdictions.

When real estate excise tax is paid to the county treasurer, the amount of tax paid and information relating to the transaction are part of the public record. In contrast, excise tax information received from taxpayers by the Department of Revenue is generally protected by confidentiality requirements. The information cannot be disclosed to the public, except as part of statistical reports that do not reveal the identity of a particular taxpayer or transaction.

Summary of Substitute Bill:

Information in the possession of the Department of Revenue regarding real estate excise tax is not confidential.

Substitute Bill Compared to Original Bill:

The substitute bill makes all real estate excise tax information received by the Department of Revenue subject to disclosure. The original bill allowed disclosure only of claims for exemption.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: There have been a few cases where the control of real estate has been transferred through a limited liability company. Because this type of transaction is reported to the state, rather than the county treasurer, information about the transfer is not available to the public or to local government officials. These are very large transactions, involving super high-end homes. The real estate excise tax should be fairly applied to large transactions as well as small transactions, and if tax is not paid, people should be able to see why not. There is concern that some transactions have escaped taxation. Having the information publicly available is the one way to know for sure. Real estate agents support this bill. For those kinds of transactions that have legitimate reasons for claiming exemption, disclosing the information behind the exemption should not cause any problem.

Testimony Against: None.

Persons Testifying: (In support) Representative Tom, prime sponsor; and Bob Mitchell, Washington Association of Realtors.

Persons Signed In To Testify But Not Testifying: None.