

SENATE BILL REPORT

SB 6620

As of February 5, 2004

Title: An act relating to the real estate excise tax administration of water rights.

Brief Description: Modifying the real estate excise tax administration of water rights.

Sponsors: Senators Morton, Jacobsen, Swecker and Rasmussen.

Brief History:

Committee Activity: Natural Resources, Energy & Water: 2/6/04.

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Staff: Evan Sheffels (786-7486)

Background: A real estate excise tax (REET) of 1.28 percent applies to all sales and transfers of real property in Washington. Local option real estate excise taxes may also be collected for certain capital projects (up to .25 percent), for GMA-related capital projects (up to .25 percent), for conservation purposes (up to 1 percent), and for excise tax in-lieu of the second local option sales tax (.5 percent). Generally, the tax is collected by the county treasurer on the state's behalf.

The real estate excise tax must be paid before a county treasurer can accept an instrument of sale or conveyance for official stamping and recording in the county's real property records. Where no official instrument is recorded but tax is due, a real property sale must be reported and tax must be paid directly to the Department of Revenue.

In October of 2002 The Department of Ecology issued a report to the Legislature--*Improving the Administration of Water Right Records and Integrating Records with County Property Information*. This report indicates that perfected water rights are real property interests subject to real estate excise tax upon sale or transfer. However, of 30 reported separate water sales in two of Ecology's four regions, Revenue could identify only one transfer of water separate from land for which the required REET affidavit was filed. Both departments report difficulty in collecting real estate excise tax on transactions where water is transferred separately from land.

Summary of Bill: REET provisions are modified to provide that sales of water rights transferred separately from land are to be reported and paid directly to the Department of Revenue within five days of the sale, as specified by the department. County treasurer recording requirements are modified to allow for acceptance of water right conveyance documents before tax has been paid.

Appropriation: None.

Fiscal Note: Requested on February 2, 2004.

Effective Date: The bill takes effect July 1, 2004.