
Ways & Means Committee

HB 1338

Brief Description: Requiring multiparcel real estate transactions to base the real estate excise tax on the greater of assessed value or purchase price.

Sponsors: Representative Kretz.

Brief Summary of Bill

- Requires the greater of the selling price or assessed value of property to be used as the taxable base for the real estate excise tax for certain multi-parcel transactions.

Hearing Date: 2/7/11

Staff: Jeffrey Mitchell (786-7139).

Background:

Washington State imposes a tax on the sale of real property. The tax also applies to transfers of controlling interests in entities that own real property in the state. The tax is referred to as the real estate excise tax (REET).

The tax rate for the state REET is 1.28 percent and is generally applied to the full selling price of property. "Selling price" generally means the true and fair value of the property conveyed. If property has been conveyed in an arm's length transaction between unrelated persons for a valuable consideration, a rebuttable presumption exists that the selling price is equal to the total consideration paid or contracted to be paid to the transferor, or to another for the transferor's benefit.

Cities and counties also have authority to impose several different local real estate excise taxes. The two most widely used local REETs are a 0.25 percent city and county REET for capital improvements and a second 0.25 percent city and county REET for growth management programs. Approximately 20 counties and over 130 cities impose each of these two local REETs.

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A majority of the state REET goes to the state general fund. However, a small portion is earmarked for local public works (6.1 percent) and assistance to certain cities and counties (1.6 percent). Generally, the state REET and any local REET is collected by the treasurer of the county within which the real property was sold.

Summary of Bill:

If a real estate transaction between two parties involves the transfer of five parcels of property or more, the taxable base for purposes of the real estate excise tax is the greater of the combined assessed value of the parcels or the total selling price for the parcels. Separate sales between the same buyer and seller within a 12-month period are aggregated for the purpose of the five parcel requirement.

The bill applies to real estate transfers occurring on or after August 1, 2011.

Appropriation: None.

Fiscal Note: Requested on February 1, 2011.

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