HOUSE BILL REPORT
HB 1953

As Reported by House Committee On:
Ways & Means

Title: An act relating to county and city real estate excise taxes.

Brief Description: Concerning county and city real estate excise taxes.

Sponsors: Representatives Springer, Asay, Takko, Upthegrove, Haler, Fitzgibbon, Angel, Smith and Sullivan.

Brief History:
Committee Activity:
Ways & Means: 2/17/11, 2/24/11 [DP].

Brief Summary of Bill

- Allows certain local real estate excise taxes to be used for maintenance and operation expenditures of existing capital facilities through calendar year 2016.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 19 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 8 members: Representatives Bailey, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Ross, Schmick and Wilcox.

Staff: Jeffrey Mitchell (786-7139).

Background:

County legislative authorities may impose an excise tax on each sale of real property in unincorporated areas of the county. Similarly, city and town legislative authorities also may

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

impose an excise tax on each sale of real property within their corporate limits. The rate of this real estate excise tax (REET) I may not exceed 0.25 percent of the selling price. Revenues generated from REET I must be used for financing qualifying capital projects and for housing relocation assistance. Revenue from REET I may not supplant other funds reasonably available for these capital projects. In 2010 134 cities and 20 counties imposed REET I.

Counties, cities, and towns that are required to fully plan under the Growth Management Act (GMA) may impose an additional REET on each sale of real property that may not exceed 0.25 percent of the selling price (REET II). Counties, cities, and towns that have opted, but are not required, to fully plan under the GMA may impose REET II with voter approval. With some exceptions, revenues generated from REET II may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA. Furthermore, revenue from REET II may not supplant other funds reasonably available for these capital projects. In 2010 132 cities and 19 counties imposed REET II.

Capital projects that may be funded by REET I and REET II revenues include streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and parks. Additional eligible uses of REET I funds include recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, judicial facilities, and flood control projects.

Summary of Bill:

Each year through calendar year 2016, a city, town, and county may use the greater of $100,000 or 35 percent of real estate excise tax (REET) I revenues, but not exceeding $1 million, to pay for the maintenance and operation expenditures of existing capital facilities.

Each year through calendar year 2016, a city, town, and county may use the greater of $100,000 or 35 percent of REET II revenues, but not exceeding $1 million, to pay for the maintenance and operation expenditures of existing capital facilities. Additionally, counties may use REET II revenues for the payment of existing debt service on any capital project authorized under REET I. The use of revenues for payment of existing debt service is subject to the same fiscal limitations as REET revenues used for maintenance and operation expenditures.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except section 3, relating to the real estate excise tax for jurisdictions planning under the Growth Management Act, which takes effect June 30, 2012.

Staff Summary of Public Testimony:

(In support) The City of Kirkland has invested in a park system that has 40 parks and 100 miles of arterials. Because of the recession, we cannot maintain these parks and, therefore, need real estate excise tax (REET) flexibility. We have run out of options. We have maximized our property and utility taxes. We have priortized and cut. We have made significant quality of life cuts. We sit on a $9 million REET balance but cannot use the money because of restrictions in state law. This is not a new tax. This bill would provide flexibility in how REET monies can be spent. This is a great tool in the toolbox. This is a new tail on an old dog. We have been working with the realtors to reach a compromise and have done it. This bill reflects a lot of the meetings with local jurisdictions. The formula in the bill ensures that the fast growth jurisdictions will use a majority of the money for infrastructure needs but also provides flexibility for smaller jurisdictions. This is not a long-term solution but maintaining high quality infrastructure is important.

(Opposed) None.

Persons Testifying: Amy Walen, City of Kirkland; Ashley Probart, Association of Washington Cities; and Bill Clarke, Washington Realtors.

Persons Signed In To Testify But Not Testifying: None.