SENATE BILL REPORT
HB 1953

As Reported by Senate Committee On:
Government Operations, Tribal Relations & Elections, March 24, 2011

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: Passed House: 3/04/11, 79-18.
Committee Activity: Government Operations, Tribal Relations & Elections: 3/21/11, 3/24/11 [DP, DNP, w/oRec].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Majority Report: Do pass.
Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Swecker, Ranking Minority Member; Chase and Nelson.

Minority Report: Do not pass.
Signed by Senator Benton.

Minority Report: That it be referred without recommendation.
Signed by Senator Roach.

Staff: Karen Epps (786-7424)

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 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.

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.

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. Revenue from REET II is intended to be in addition to other funds that may be 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 REET I revenues, but not exceeding $1 million, to pay for the operations and maintenance 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 operations and maintenance 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 operations and maintenance expenditures.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill is an example of local government relief and streamlining. Local governments are struggling to meet their financial obligations. This bill will give local governments greater flexibility to meet these financial obligations. This bill allows local governments to use revenue they are currently getting for maintenance and operation expenses. The share of REET that goes to cities and counties may be used for maintenance and operation expenses. This bill reflects discussions from the summer and fall about ways to provide temporary flexibility in the use of REET.

Persons Testifying: PRO: Representative Springer, prime sponsor; Ashley Probart, Association of Washington Cities; Scott Merriman, Washington Association of Counties; Bill Clarke, Washington Realtors.