SENATE BILL REPORT
SB 5755

As Reported by Senate Committee On:
Government Operations, Tribal Relations & Elections, February 21, 2011

Title: An act relating to county and city additional real estate excise tax authority.

Brief Description: Concerning county and city additional real estate excise tax authority.

Sponsors: Senators Ranker and White.

Brief History:
Committee Activity: Government Operations, Tribal Relations & Elections: 2/21/11 [DPS, w/oRec].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 5755 be substituted therefor, and the substitute bill do pass.
Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Swecker, Ranking Minority Member; Chase and Nelson.

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.

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

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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: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): 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: Not requested.

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: The current language around the use of REET funds is so restrictive that the City of Kirkland has money available but cannot use the money because of current restrictions. Citizens don't want to pay more but would like the city to be able to use existing resources to maintain the capital projects. The inability to use this money has begun to impact the quality of life in Kirkland. The bill has a five-year sunset. This bill should be viewed as temporary assistance during difficult economic times.

Persons Testifying: PRO: Penny Sweet, Councilmember, City of Kirkland; Bill Clarke, Washington Realtors.