
Local Government Committee

HB 1789

Brief Description: Granting counties and cities greater flexibility with real estate excise tax proceeds.

Sponsors: Representatives Springer, Nealey, Fitzgibbon, Fagan, Tharinger, Takko, Reykdal, S. Hunt, Gregerson, Ryu, Peterson and Senn.

Brief Summary of Bill

- Allows counties and cities to use real estate excise tax (REET) proceeds for the maintenance and operation of qualifying capital projects.
- Repeals temporary provisions that allow jurisdictions to some REET proceeds for the maintenance and operation of qualifying capital projects.
- Expands the list of capital projects that can be financed with specific REET proceeds that may be collected by jurisdictions that fully plan under the Growth Management Act to include law enforcement facilities, fire protection facilities, libraries, and other delineated facilities.

Hearing Date: 2/10/15

Staff: Ethan Moreno (786-7386).

Background:

Real Estate Excise Tax - General Authorization for Counties and Cities.

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 these real estate excise taxes, which are often referred to as the REET I taxes, may not exceed 0.25 percent of the selling price.

Allowable uses for the REET I proceeds, which are intended to be in addition to other funds that may be reasonably available for the capital projects, are determined by the size and applicable

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planning requirements of the city or county. In counties and cities with fewer than 5,000 residents, and in cities and counties that do not fully plan under the Growth Management Act (GMA), the proceeds must be used for financing qualifying capital purposes and improvements.

In counties and cities with more than 5,000 residents, and that do plan fully under the GMA, the REET I revenues must, with limited exceptions, be used solely for financing and operating qualifying capital projects, as that term is defined in statute, and for housing relocation assistance for low-income tenants.

Additionally, if a county or city is not imposing a locally authorized sales and use tax, it may impose an additional excise tax on each sale of real property within its jurisdiction at rate not to exceed 0.10 percent of the selling price.

"Capital project," as defined in REET I provisions, means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of specific facilities and infrastructure, including:

- streets, roads, highways, and sidewalks;
- recreational facilities;
- law enforcement and fire protection facilities.
- administrative and judicial facilities;
- river and waterway flood control projects; and
- parks.

Temporary Authorization for Expanded use of Tax Proceeds.

Until December 31, 2016, a city or county may use the greater of either \$100,000 or 35 percent of available REET I and the 0.10 excise tax proceeds, up to \$1 million annually, for the operation and maintenance of existing capital projects.

Real Estate Excise Tax - Additional Authorization for Fully Planning Counties and Cities.

Counties, cities, and towns that fully plan under the GMA may impose an additional REET (REET II) on each sale of real property within their jurisdiction that may not exceed 0.25 percent of the selling price. Counties that elected to fully plan under the GMA, and the cities and towns within, may impose the REET II provisions with voter approval.

With some exceptions, revenues generated from the REET II authorization may only be used for financing capital projects specified in the capital facilities element of a comprehensive plan adopted under the GMA. "Capital project," as defined in REET II provisions, means public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of specific infrastructure, including:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems; and
- planning, constructing, reconstructing, repairing, rehabilitating, or improving parks.

Temporary Authorization for Expanded use of Additional Tax Proceeds.

Until December 31, 2016, a city or county may use the greater of either \$100,000 or 35 percent of available REET II proceeds, up to \$1 million annually, for operations and maintenance of existing capital projects as defined in REET II provisions.

Until December 31, 2016, counties may also use available REET II proceeds for the payment of existing debt service incurred for capital projects as that term is defined in REET I provisions. If a county elects to use available funds for authorized debt service payments, the total amount used for debt service, and any amounts used for operations and maintenance, may not exceed the greater of either \$100,000 or 35 percent of available REET II proceeds, up to \$1 million annually.

Summary of Bill:

Counties, cities, and towns that impose excise taxes on sales of real property within their jurisdiction under REET I and REET II authorizations may use those proceeds for the maintenance and operation of capital projects as the term is defined in REET I and REET II provisions.

A temporary authorization that allows a city or county to, until December 31, 2016, use the greater of either \$100,000 or 35 percent of available REET I and other specified excise tax proceeds from real estate sales, up to \$1 million annually, for the operation and maintenance of existing capital projects, is repealed.

Restrictions governing similar temporary authorizations for REET II proceeds are repealed. Until December 31, 2016, a city or county may use available REET II proceeds, without financial limitations, for the payment of existing debt service incurred for capital projects as defined in REET I provisions. Temporary restrictions related to the use of available REET II proceeds for maintenance and operation of existing capital projects, as the term is defined in REET II provisions, are deleted.

The list of qualifying capital projects that may be financed with REET II proceeds is expanded to include:

- recreational facilities;
- law enforcement and fire protection facilities;
- trails;
- libraries;
- administrative and judicial facilities;
- river and waterway flood control projects; and
- parks, including expenditures for acquisition and replacement.

Appropriation: None.

Fiscal Note: Not requested.

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